Ghana's economy
Still a long way to go for an IMF model
Page 16

Japanese textiles
Companies cut coats to suit their cloth
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Zhu Rongji
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Chemicals in Europe
East's cheap exports upset the applecart
Page 5

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY JULY 6 1993 — D8523A

Britain shelves £500m plan for air defence system

Britain is to shelve a £500m-plus plan for a new air defence missile system, defence secretary Malcolm Rifkind announced on publication of the government's annual defence white paper.

There would be broad-ranging cuts in warships, submarines and fighters and the cancellation of two weapons projects. The UK would also follow the US and Germany in withdrawing from a new anti-tank weapon to be fired from multiple rocket launchers. Page 18

Siemens Nixdorf, the Siemens group's lossmaking computer subsidiary, warned of no upturn as appreciation of the D-Mark and price-cutting dashed hopes of improved results this year. Page 19

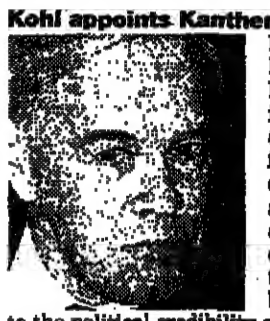
Telecoms are E Europe 'obstacle': Companies in eastern Europe and Russia see poor telecommunications as their main barrier to exports, says an international survey. Page 18

GEC/BAe talks 'cease': The two companies said discussions on combining their defence interests were called off because of press publicity. The resumption of talks was not ruled out. Page 19; Lex, Page 18

National Power, the UK's largest power generator, is to take its biggest step overseas to date with a $160m acquisition in the US. Page 19

Scope for UK growth: Britain has the potential for a period of relatively high growth without undue inflation, a panel of independent economic forecasters said. Page 8; Lex, Page 18

Kohl appoints Kanther as interior minister:



Manfred Kanther (left), leader of the Christian Democratic Union in Hesse, was appointed German interior minister following the resignation of Rudolf Seiters over a bungled anti-terrorist operation. Mr Seiters' departure is potentially the most damaging blow in recent months to the political credibility of Chancellor Helmut Kohl. He was the ninth minister to leave the cabinet in the past 18 months. **Kohl acts to fill the breach, Page 2**

Bosnia aid worker shot dead: British relief worker Christine Witcutt was shot dead by a sniper in the Bosnian capital Sarajevo when the truck she was travelling in came under fire. **Disease fear as Bosnia fighting flares, Page 3**

Italy wants say in Somalia: Italy demanded a greater say in running the United Nations military operations in Somalia as an emotional funeral was staged for the three Italian soldiers killed in the Somali capital Mogadishu. Page 6

Groupe Bull, the troubled French computer company, plans to cut its worldwide workforce by 6,500 by the end of next year in the hope of returning to profit in 1995. Page 20

Murdoch in magazine talks: Rupert Murdoch, head of News Corporation, is negotiating the purchase of a substantial shareholding in Better Life, a Shanghai-based lifestyle magazine. Page 19

Europe moves on acid rain: A compromise is emerging between European countries seeking a timetable to reduce emissions from power stations which cause acid rain. Page 2

González wins union backing: Spanish prime minister Felipe González won agreement from the country's two leading unions to start talks on a long-term wages pact. Page 2

Confidence win for Turkey PM: Turkey's first woman prime minister Tansu Çiller won a parliamentary vote of confidence as deputies rallied to her support. **Debut of fire, Page 3**

SA death toll rises: South Africa's political violence death toll rose to at least 40 in the three days since a date was set for the country's first multiracial election.

Anglo American Industrial Corporation of South Africa and the South Korean Daewoo group have established a 50-50 joint venture to manufacture high-value consumer goods and exploit international technology markets. Page 20

Poll protest disrupts Lagos: Traffic in Nigeria's biggest city, Lagos, was disrupted at the start of a one-week protest called by civil rights activists after the military government's cancellation of last month's presidential poll.

Mafia millions seized: Italian police confiscated an estimated $60m worth of assets from the Mafia's reputed boss of bosses, Salvatore Riina, his relatives and his suspected chief henchman. Riina was arrested in January.

London cordon goes up: London's "ring of steel" came into force, limiting traffic access points to the financial district in a move to prevent terrorist attacks. Editorial Comment, Page 19

STOCK MARKET INDICES

FT-SE 100:	2838.5	(-19.2)
Yield	4.03	
FT-SE Eurotrack 100	1197.91	(-4.30)
FT-A All-Share	1408.38	(-0.6%)
Nikkei	19,823.06	(+1.60)

LONDON MONEY

3-mo Interbank	5 13/16%	(same)
Liffe long gilt future:	Jun 107 7/32	(Jun 107 3/32)

NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$16.95	(16.78)

GOLD

London	$387.85	(390.0)

STERLING

London:		
$	1.5115	(1.5075)
DM	2.5625	(2.5575)
FFr	8.6775	(8.6525)
SFr	2.2875	(2.275)
Y	164.75	(163.75)
£ Index	81.3	(81.1)

Tokyo close Y 109.05

The New York markets were closed yesterday

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr60	Hungary	Ft 172	Neth	Fl 3.75	Slovak Rp	KSL45		
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk6.90	Oman	OR1.50	Spain	Pta210		
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20		
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00		
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250		
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000		
						UAE	Dh11.00		

EC single market 'at risk from race to apply subsidies'

By Andrew Hill in Brussels

PAGE 2
■ Brussels goes to court over trade policy
PAGE 4
■ Quadrilateral talks continue until last minute

THE EC risks embarking on a damaging race to subsidise state-owned industries which could endanger the single market, Mr Karel Van Miert, the EC's competition commissioner, warned yesterday.

The reluctance of Italy and Spain to co-operate with the European Commission on the restructuring of their steel industries is likely to force postponement of a crucial meeting of ministers later this month, he said.

The meeting, set for July 26, was due to discuss the politically sensitive question of state aid and capacity cuts in the Italian, Spanish and east German steel industries. Agreement on July 26 would have laid the groundwork for an accord this autumn on restructuring of the whole EC industry.

Mr Van Miert said: "Private enterprises are making a salutary effort [to fall in with Commission plans], but state enterprises are ready to use aid without making a positive contribution by reducing their capacity. That is unacceptable."

"Members are not only disregarding the rules of the game, they increasingly don't accept them," Mr Van Miert said.

In particular, he said state-owned steelmakers were refusing to make drastic capacity cuts as the price for state subsidies.

Speaking in Bonn, Mr Van Miert indicated that the overall steel restructuring plan would be at risk if member states did not co-operate. "In the steel sector, it has become clear that we do not have enough power at our disposal to carry out our policies," he said.

Belgium, which has just taken over the presidency of the EC, said yesterday the July 26 meeting was likely to be postponed until mid-September, but a spokesman added that Mr Melchior Wathelet, economics minister, had yet to approve the change. Officials at the economics ministry were unavailable for comment on the reasons for the proposed delay.

The success of the overall plan has always depended on the fragile goodwill of steelmakers and politicians, who must co-operate to cut capacity, and reduce state aids.

Commission officials said yesterday that Italy was particularly reluctant to adapt to Brussels' demands that Ilva, the state-owned steel group, should make 3m tonnes of capacity cuts.

They indicated that Brussels would try to find other ways to force Ilva into line over the next few weeks.

The EC steel industry has been hit by recession, overcapacity, and an influx of cheap steel imports from eastern Europe. The Commission – in principle backed by member states – has insisted that the industry comes up with a viable restructuring plan by October.

In return steel producers will receive EC support for between 50,000 and 100,000 redundancies which could be necessary, protection from unfair non-EC competition and regular reports on the evolution of the market.

Traffic backs up in London's financial district where security checkpoints have been set up following recent terrorist bomb attacks

Hopes rise for German rate cuts

By Christopher Parkes in Frankfurt and Quentin Peel in Bonn

CONDITIONS for further interest rate cuts in Germany improved yesterday amid fresh signs and renewed claims that the German recession was approaching its low point.

Hopes of an upturn rose when the economics ministry reported an increase of almost 4 per cent in new industrial orders in May compared with the previous month.

The figures supported the Bundesbank's belief – aired last week when it reduced interest rates, and repeated by Mr Helmut Schlesinger, the Bundesbank president yesterday – that the worst may be over.

While last week's reductions in the discount and Lombard rates to 6.75 per cent and 8.25 per cent respectively were largely motivated by a government agreement on public spending cuts and encouraging inflation indicators, they were designed to help support economic recovery.

The fragility of the situation was underlined yesterday by aggregate figures for April and May showing that demand for German products was still 10 per cent down on the comparable two months in 1992.

However, Chancellor Helmut Kohl joined the optimists, echoing Mr Schlesinger's remarks and citing reduced interest rates, the closer linkage of pay to productivity, and improving export demand as grounds for believing that recovery should come by the turn of the year.

He told a delegation of industry leaders, headed by the critical Mr Tyll Necker, president of the German industry federation (BDI), that conditions had been improved by Bonn's spending cuts package, corporate tax reforms and a draft law aimed at increasing working hours flexibility.

Taken together with the likelihood of lower inflation, the possible end to economic decline will raise hopes that the bank will continue its cautious monetary easing. According to Mr Schlesinger west German inflation had come a "step closer" to the bank's goal of 2 per cent with a

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Italy cuts discount rate after pay deal

By Robert Graham in Rome

THE Bank of Italy yesterday cut its discount rate by a full percentage point to 9 per cent, the lowest level since 1976.

The cut, effective from today, follows Saturday's four-year agreement between employers and trade unions on wages and work conditions.

The agreement also enabled Mr Carlo Azeglio Ciampi, the prime minister, to leave for the Group of Seven summit in Tokyo with clear evidence of his government's determination to hold down inflation and tackle the public sector deficit.

Mr Ciampi had set Saturday as the deadline for Confindustria, the industrialists' confederation, and the three trades union confederations to resolve the issue.

The agreement is Mr Ciampi's first important achievement since taking office two months ago. Nevertheless, the outcome still leaves Italy with the most rigid labour system in the European Community.

The wage element in Italy's high labour costs may now tends downwards but other aspects (social security, pensions and job security) are scarcely affected.

However, the deal is a compromise with many unresolved aspects. The most important is how to tackle employers' demands to avoid matching a rise in social security contributions on wage increases above the national minimum. This was one of the sticking points in the talks and had to be left out of the agreement.

As a result, the agreement will not be signed until July 22. This will give Mr Ciampi time to produce a proposal, probably based on offering tax concessions against the extra cost of social security contributions.

The union leadership will also have time to test the reaction of its members, who could be hostile. Many view the concessions which have been made as a further erosion of union bargaining power.

Within the framework of a four-year pact, the trades union

Continued on Page 18

Clinton calls for summit on jobless

By Jurek Martin in San Francisco

PRESIDENT Bill Clinton yesterday proposed a global ministerial unemployment summit in the US in the next few months.

The advance text of Mr Clinton's speech offered the use of his presidential retreat at Camp David as a possible venue. But the President did not mention this as he spoke and a senior official said later only that it should be held in the US.

Mr Clinton said he had directed his senior economics and labour advisers to invite their counterparts among the Group of Seven leading industrial nations to a meeting "in the coming months to search for the causes and possible remedies for this structural unemployment".

In a speech to an educational conference before leaving for the G7 summit of industrialised nations in Tokyo, the president described "stubbornly" high rates of unemployment as one of the "most troubling" problems confronting the global economy.

US unemployment, he said, remained at 7 per cent, the private sector in Europe had generated "no new net jobs" in the last 20 years, while even Japan, hitherto immune, was "finally having problems".

"This meeting," he said "which could take place at Camp David, can be a first step to getting all our job generators running at full speed again."

Mr Clinton's initiative reflects his own well-known interest in practical policies to solve practical problems. In an interview with foreign correspondents last Friday he had speculated on the causes of rising unemployment in France and Japan, two nations with radically different labour markets.

The second main string to his pre-summit bow here was to advance the cause of greater US-Asian co-operation. He promised that speeches in Tokyo and Seoul later this week would "lay out a vision of our engagement in that region for the coming decades".

This would include not only a "stronger and more balanced" economic relationship with Japan, but the enlistment of the support of both Japan and Korea behind the successful conclusion of a more open trade agreement by the end of the year.

Speaking in one of the most Asian cities in the US, Mr Clinton maintained that trade friction with Japan could not disguise the reality that "our relations across the Pacific are, for the most part, of great mutual benefit". Over 40 per cent of US trade was with Asia, with US exports worth over $120bn and accounting for 2.3m jobs at home.

The general focus of his address was to re-emphasise a favourite theme – that "we have entered an era in which the line between our domestic and foreign policy has evaporated."

This was reflected, he said, in the "new global economy," with its mobile money and technology, its flexible working habits and its requirement of new skills, such as language capabilities.

China's economic tsar calls for more financial discipline

By Tony Walker in Beijing

MR ZHU RONGJI, given the responsibility of taming China's runaway economy less than a week ago, has wasted little time in outlining his strategy.

In a tough speech yesterday to government officials, Mr Zhu, senior vice-premier and newly appointed governor of the central bank, said: "China must rectify financial order and strengthen financial discipline."

While China's official media gave only sketchy details of Mr Zhu's remarks, he has indicated there will be further increases in interest rates, cuts in government spending, a tighter squeeze on new credit, stricter controls on non-bank financial intermediaries and a crackdown on dubious fund-raising schemes such as enterprise bonds.

China's leaders have been panicked by a series of financial scandals and signs of chaos in the banking system. Mr Zhu's main tasks will be to restore order to the financial sector, while preserving market reforms that are the basis of China's opening to the outside world.

China is also planning to overhaul its tax system in an effort to boost receipts. Tax authorities have failed to keep pace with the explosion of activity in the past year, with the economy continuing to surge ahead at rates exceeding 13 per cent in the first five months of this year.

Mr Zhu, 65, has expressed particular concern about rampant property speculation and lax controls over China's fledgling stock markets. He is certain to add his weight to efforts now under way to strengthen the regulatory environment.

He would know that, with inflation spiralling towards 20 per cent in the cities and amid signs of increasing unrest among hard-pressed farmers, he has little time to waste. He would also be aware that he has been handed something of a poisoned chalice in his efforts to cure China's economic ills.

Success would confirm his status in the front rank of Chinese leaders and strengthen his claims to the premiership. Failure would be penalised.

Among China's ruling seven-man standing committee of the politburo, Mr Zhu is almost certainly best-qualified for the task of bringing order to the economy. But it is also a measure of the

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Seiters resignation is severe blow to Chancellor

Kohl acts to fill the breach

By Quentin Peel in Bonn

THE resignation of Mr Rudolf Seiters, the German interior minister, over a bungled anti-terrorist operation, is potentially the most damaging blow in recent months to the political credibility of Chancellor Helmut Kohl.

The latter moved rapidly yesterday to appoint the relatively unknown Mr Manfred Kanther, leader of his Christian Democratic Union in the state of Hesse, to take over the portfolio. He then flew off to Tokyo to attend the Group of Seven world economic summit.

Back in Bonn, however, the impression remains that Mr Seiters' resignation has robbed Mr Kohl of one of his closest associates in the coalition government simply because he had lost the political will to fight for his job.

"Mr Seiters is like a captain who leaves his ship before it has even begun to sink," said Mr Willi Steuel, political commentator for Südwestfunk, the south-western broadcasting organisation. "It is not even clear what went wrong with the operation, and yet he has resigned."

His decision to quit, against Mr Kohl's pleading, followed a series of conflicting reports from different security agencies about a shoot-out with suspected members of the Red Army Faction terrorist group a week ago. A suspected terrorist and a policeman in the elite GSG-9 anti-terrorist group were shot dead.

A new report from the federal crime office yesterday failed to cast any new light on the death of Mr Wolfgang Grams, the suspected terrorist, to counter allegations that he was executed in cold blood at the end of the shoot-out.

Mr Kanther, a long-time associate of Mr Kohl, but without any profile in national politics, promised yesterday that clarification of the shooting would be his top priority.

Yet the very fact that the anti-terrorist operation at Bad Kleinen, near Schwerin in eastern Germany, is still shrouded in mystery, has caused more speculation about Mr Seiters' decision to quit the government, and strengthened suspicions of rough justice.

It has also reinforced demands for the resignation of Mr Alexander von Stahl, the federal prosecutor, and for the GSG-9 unit to be disbanded.

"He simply did not have the stomach for a fight with the media," according to one senior government official yesterday. "He is a very honourable, and a very sensitive man."

He is the ninth minister to leave the cabinet in a resignation or forced retirement over the past 18 months, and the fifth to resign because of a scandal. In this case, however, Mr Seiters made clear he was taking political responsibility for possible mistakes committed by units under his command.

Close political allies suggested yesterday that he was exhausted by the in-fighting in the governing coalition, and by the prospect of a long drawn-out inquiry into the operation.

The issues of law and order, and immigration, over which the Interior Ministry presides, are also likely to be the most politically-charged in next year's election campaign. Some observers believe Mr Seiters was concerned at the conservative drift of the policies of Mr Kohl and the Christian Democratic Union.

Irish talk tough but look for development aid deal

By Tim Coone in Dublin

THE Irish government is ostensibly digging in its heels in its fight to win I£8bn (£7.7bn) from the European Community regional development programme for 1994-1999. However, it is also quietly softening up public opinion for a possible compromise.

Mr Dick Spring, the foreign minister, blocked a deal at the weekend on the share-out of the Ecu157bn (£121.4bn) package, after he had been offered only I£7.5bn at the EC foreign ministers' meeting.

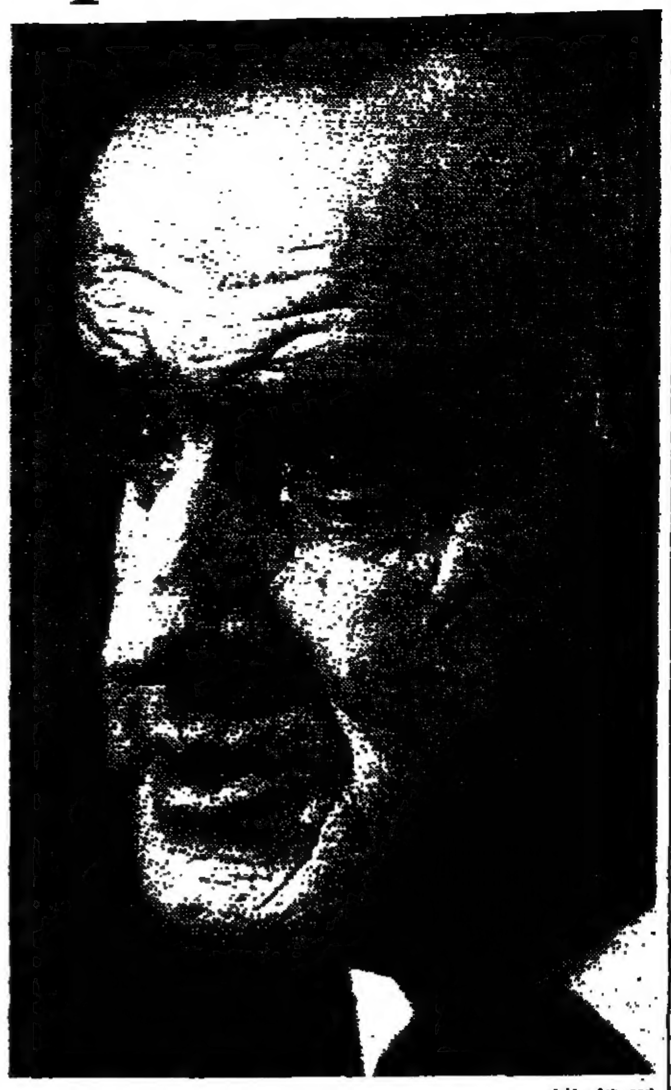
The Irish government insists it had received verbal assurances from the European Commission at last December's Edinburgh summit that Ireland's percentage share of the 1994-1999 programme would remain the same as during the 1989-1993 programme.

On returning from that summit, Mr Albert Reynolds, prime minister, had told the Dail (parliament): "The agreement now reached ensures, and I say this with complete confidence, that Ireland will obtain in excess of I£8bn over seven years. This will comprise up to I£1bn from the new cohesion fund and more than I£7bn from the structural funds."

He also boasted that the summit had been "one of the greatest negotiating successes ever by an Irish government... My strategy and negotiating tactics have been vindicated."

After the devaluation of the Irish punt in January, he said the total he had been promised would now be worth some I£8.6bn.

Having laid his political reputation on the line, despite having received no written assurances at Edinburgh, Mr Reynolds has been caught in the embarrassing situation of either having to compromise and face criticism at home, or be seen in Brussels as the principal obstacle to the biggest ever package of regional aid to be disbursed to the EC's disadvantages areas.



Ashley Ashwood

Prime minister Albert Reynolds: reputation on the line

Mr John Bruton, leader of the opposition Fine Gael, said yesterday that Mr Reynolds should not settle for anything else than the I£8bn "that he promised or was promised by an EC official". It was a sum "which represents 100,000 jobs" for Ireland's economy.

At the weekend Mr Reynolds insisted that he would not "sell out" Ireland's interests and a foreign ministry spokesman said yesterday that "our target remains not less than I£8bn". However, the latter said: "It is a matter of serious national concern and we will fight as hard as we can for the maximum. But we are in a negotiating stance. There is room for manoeuvre and there is space between the two figures."

Attention now shifts to an EC ambassadors' meeting tomorrow where further arm-twisting can be expected to take place.

NEWS IN BRIEF

French franc slips against D-Mark

THE FRENCH franc continued to weaken against the D-Mark inside the European exchange rate mechanism yesterday, as dealers suggested that signs of weakness in the economy were putting pressure on the Bank of France to cut interest rates, writes James Blitz.

It closed at FFr3.386, having been at FFr3.383 in London on Friday night. Last night's close left it some 2 centimes weaker against the D-Mark than it had been a week ago. Against its ERM divergence indicator, the franc closed at minus 61 percentage points.

Dealers said a spate of poor economic indicators, last week's unemployment figures among them, had made an interest rate cut even more urgent. Although the Bundesbank reduced its official interest rates by half a percentage point last week, some saw this yesterday as insufficient for France's economic needs.

VAT introduced in Poland

Poland brought in value added tax yesterday, set generally at 22 per cent but with a 7 per cent rate for items such as childrens' goods and construction materials, and a zero rating for basic food items, writes Christopher Bobinski from Warsaw.

The government expects VAT, which replaces a turnover tax, to add only 1.5 percentage points to the annual inflation rate.

The tax rises will be phased in as old VAT-free stocks are replaced. In a last-minute rush to avoid price rises, Poles have been on a shopping spree. Cars and lorries have also blocked border crossings with Germany in a scramble to import goods before the tax took effect.

Portuguese trim their rates

The Bank of Portugal yesterday cut its money market intervention rates by 0.25 of a point to 10.25 per cent for mopping up liquidity and 11.25 per cent for short-term lending, Reuter reports from Lisbon.

Economists expect money rates to fall below 10 per cent by the end of the year providing the escudo remains stable and the government achieves its target of reducing the inflation rate to 5-7 per cent this year from 8.9 per cent in 1992.

Romanian PM urged to quit

Leaders of eight Romanian opposition parties yesterday demanded the resignation of Mr Nicolae Vacaroiu's left-wing minority government, Reuter reports from Bucharest.

"The government is incompetent, it does not function properly and therefore it must go," said Mr Corneliu Coposu, leader of the opposition National Peasant Party.

The demand was a response to a statement by the government last week praising the way it had governed the country since taking office last September. It accused the opposition of mounting a "furious campaign against the government, aimed at creating social tension".

The government also denounced opposition attempts last week to call a session of parliament to discuss a report on corruption and to introduce a no-confidence motion. It accused the opposition of wanting to stage a coup to remove the cabinet.

Georgians scorn threat of sanctions

By Leyla Boulton in Moscow

GEORGIA yesterday shrugged off Russian threats of sanctions, aimed at imposing a peace settlement on it and its separatist region of Abkhazia, as it emerged that Mr Eduard Shevardnadze, the Georgian leader, was almost killed on Sunday.

An aide said a shell narrowly missed Mr Shevardnadze's car as he was driving through the war-torn province, where hundreds of people have died in almost a year of fighting.

Mr Andrei Kozyrev, the Russian foreign minister, warned on Sunday that Russia would take harsh measures unless the two sides signed a peace agreement within two days.

However, a spokesman for the Georgian Foreign Ministry said sanctions would make no difference as the republic was "under an economic blockade from Russia anyway".

The Abkhaz parliament said heavy fighting was raging yesterday after an offensive on the regional capital, Sukhumi, which is in government hands, was repulsed.

● Russia's Vice-President Alexander Rutskoi claimed yesterday that President Boris Yeltsin's home region had declared itself a republic, as part of a plot sanctioned by the Russian leader.

The latest broadside against Mr Yeltsin, who has not commented on the proclamation of a Urals republic within Russia, came as Mr Sergei Shakhrai, deputy prime minister, warned the declaration could upset attempts to hammer out a new constitution.

Brussels goes to court in dispute over trade policy

By Lionel Barber in Brussels

GERMANY and the Netherlands are to be taken to the European Court for defying European Commission efforts to forge a unified trade policy toward cheap imports from China and former Communist countries.

The Commission wants to abolish – or harmonise – national quotas on imports in order to impose an EC-wide quota to match the single European market. These national quotas number around 6,500, with many dating back to the second world war.

The court action is the latest incident pitting a free-trade minded Bonn government against the Commission and the majority of the country's EC partners:

● Last week, Germany lost an appeal to the European Court against a new EC banana regime which discriminates against high-quality bananas from Latin America in favour of Caribbean and African producers.

● Last month, an EC-German row erupted over Bonn's refusal to apply token trade sanctions against the US on telecommunications. The Germans cited a 1954 non-aggression pact with the US on trade sanctions, and the issue remains unresolved.

As in the telecommunications dispute, the Germans and Dutch appear to have the law on their side; but only at the expense of political solidarity within the Community.

Last December, EC foreign ministers were supposed to agree to liberalise quotas, but failed because the issue was linked to a proposal to strengthen the use of EC trade weapons such as anti-dumping.

The British, Dutch, and Germans all opposed strengthening the Commission's powers.

The Germans and Dutch argued that the lack of a council of ministers decision meant that all national quotas were eliminated and all import restrictions lifted. The Commission said this was premature, but it was prepared to discuss temporary authorisation.

Britain has sent in a list of quotas it plans to apply, and so has avoided court action. "Germany," said an EC diplomat, "is becoming less reticent in defending what it sees as its national interest."

Defiant outpost awaits the Armenian onslaught

Azeris are reeling before a military offensive from Nagorno-Karabakh, writes John Lloyd

COLONEL Eyvan Jafarov commands the last Azeri outpost in Nagorno-Karabakh. The army post is outside the village of Markara, 4km inside the Karabakh border and it is unlikely he will hold out for long.

The colonel expects a push against his base this morning. A veteran of the Soviet army with service in Russia, Kazakhstan and east Germany, he has a handful of teenagers and big guns whose numbers he will not reveal.

"No matter if they send me more troops or not," he shrugs, "we stay here and do our duty." In command of a sloppy and demoralised army, he tries to stick to the book. "Do up your button," he orders a lad clattering down the stairs with a Kalashnikov, and does it up for him.

But Col Jafarov's last stand is an anomaly. At Agdam, 5km inside Azerbaijan itself, the town is all but surrounded by Armenian forces from Karabakh. On Sunday evening refugees streamed out of the town in trucks, farm wagons and carts. The flames from the villages burning to the south of the town were clearly visible from the road.

In the administration building near the centre of the town, Mr Alsif Cherimov said the Armenians were only a few hundred yards away. On a map, his colleagues pointed to a crescent of villages to the south of Agdam taken on Saturday and Sunday in the Armenian offensive.

The firing and shelling eased yesterday, only to increase around midday. A walk about the town, however, showed that the Armenians were close: the Azeri forces are holding a perimeter 1km or so out, just beyond the suburbs. But the town is demoralised and weak and the Armenians can fire at will on it and on the road out.

Agdam is important. Mr Fakhredin Abusov, the deputy administrator of the border town of Ter-Ter, said that "if Agdam goes to the Armenians, many say why should we stay in Azerbaijan. It will be the end of us".

More than that, Agdam has for the past two years been the main frontline base for the Azeris in their operations against Nagorno-Karabakh. The Armenians came close to it early last year: the Azeri counter-offensive in the north of Karabakh relieved the pressure around the border. Then, from February this year the Azeris weakened and their foes surged back towards their eastern border.

Mr Mario Raffaelli, who is acting on behalf of the Conference on Security and Co-operation in Europe (CSCE), yesterday postponed a visit to the region after being told of the imminent collapse of Agdam. The CSCE is trying to broker an agreement between the warring parties in Karabakh.

In both Agdam and Ter-Ter the hard pressed commanders and administrators expressed only contempt for the lack of support they are receiving from Baku.

Mr Ali Asadov, one of the leaders of the 2,000-strong population left in Agdam, spent Sunday night and yesterday morning driving to and from a base near Agdam to bring up shells to continue the struggle.

"The politicians in Baku, whoever they are, only fight among themselves for the chairs that will make them rich. We are alone here and will fall here with the town," he said.

On the road leading out of Agdam the refugees, mostly women, children and old men, camp under army tents or makeshift shelters from hay bales. The United Nations in Baku estimates that 40,000-50,000 refugees have been displaced by the fighting around the town.

The authorities in Ter-Ter said yesterday that about 24,000 people had recently passed through the town or were still living there.

Two main labour organisations agree to start pay pact talks

González gets unions on side

By Peter Bruce in Madrid

SPAIN'S prime minister, Mr Felipe González, yesterday won agreement from the country's two leading unions – the Socialist UGT and the Communist Comisiones Obreras – to start talks on a long-term wages pact. Both unions have in the past been extremely critical of the government's liberal economic policies.

He spent nearly two hours with the unions' leaders, Mr Nicolas Redondo and Mr Antonio Gutierrez and, in what may presage a new rapprochement, he promised not to toughen a controversial strike law whose passage through parliament was blocked by his decision to call last month's general election.

Mr González's Socialist party won the election but lost its majority in parliament.

In order to signal to foreign investors that the new government is serious about lowering inflation and reducing public sector deficits, he has had to move quickly to get the unions and employers around a negotiating table. As imports fall, wage increases of more than 7 per cent this year are now assumed to be the most important cause of inflation.

By offering to allow the strike legislation to pass into law untouched, the prime minister is giving the unions what they want. Employers earlier this year denounced the draft law as a "striker's charter" for the powers it gives pickets.

The carrot being dangled in front of the employers is far-reaching reform of the labour market, with the unspoken promise that negotiations will result in laws that make it easier and cheaper to sack workers. Mr González also met employers yesterday.

Figures showing the Spanish economy in a much sharper recession than had been feared – gross domestic product shrank by 1.1 per cent in the first quarter – have added to the sense of urgency Mr González is keen to give to the "social pact" talks and to the work that has already begun on producing a restrictive budget for 1994.

The budget has to be presented in September and many analysts believe the short-term fate of the peseta depends on the depth of public spending cuts.

Mr González is also scrambling to put a government together before the August summer holiday, but both the leading Catalan and Basque regional parties are reluctant (in varying degrees) to join a coalition.

He is toying with naming a provisional minority government until the Catalans feel the right fiscal and federal policies are in place for them to join. But analysts warn that Mr González can ill afford to begin this administration with anything smacking of the provisional. His failure to name a new cabinet for 16 months after winning the 1989 election crippled policy-making for almost all of his third term.

Europe moves closer on acid rain

By David Lascelles and Bronwen Maddox

A COMPROMISE is emerging between European countries seeking a timetable to reduce emissions from power stations which cause acid rain.

The new targets could be agreed at a meeting of the Economic Commission for Europe in Geneva next month. The deal would bridge the gap between countries such as Germany and Norway which favour tough targets and those wanting more leeway on timing, like the UK.

Britain's resistance to the toughest standards has risked undermining some of its recently-improved reputation for addressing the acid rain problem. Sulphur emissions were one of the main reasons Britain was christened the "dirty man of Europe" years ago, a tag it has found difficult to shake off.

The ECE deal, including countries from east and west, is expected to lay the basis for new emission standards for power stations in the European Community next year.

The compromise will aim at reducing sulphur emissions by up to 90 per cent by the year 2005. This is being proposed to bridge the gap between the year 2000 being sought by countries seeking to accelerate the clean-up and the 2010 target preferred by those, particularly in east Europe, with a long way to go.

The reductions would be based on the "critical load" approach, which takes account of an area's ability to withstand acid rain.

The UK's position is diplomatically sensitive because its large coal-fired power stations have been blamed for causing acid rain in many continental countries and Scandinavia. Britain did not subscribe to an earlier ECE agreement to cut sulphur emissions by 30 per cent, though in the event it met the target.

This time, the UK is still resisting a tough timetable, and proposes to support the 2005 target compromise. Only two British power stations are being fitted with equipment to remove sulphur from the exhaust gases, and power companies are fighting pressure to fit any more because of the high cost. Instead, the UK intends to switch to cleaner fuels such as natural gas or low sulphur coal.

The new ECE agreement will provide the background to the EC's review of the large combustion plants directive next year. This already lays down emission reduction targets for power stations, but these were always due to be tightened in 1994. Members states may therefore keep something in reserve when negotiating in Geneva next month.

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A debut of fire for Turkey's premier

First woman PM names cabinet amid troubles at home and abroad, writes John Murray Brown

MRS Tansu Çiller's first days as Turkey's new prime minister have been nothing if not fiery.

The country's first woman prime minister is barely a week into the job, and the international focus is back on Turkey's Kurdish rebellion, its single biggest problem. At the same time, Turkey's image as a secular democracy has been badly damaged by the spectre of Islamic fundamentalism, after the deaths of 37 people, when radical Moslems last week set fire to a hotel where the Turkish publisher of Salman Rushdie's Satanic Verses was staying.

And Turkey's best efforts to encourage peace in the Caucasus are in tatters, after the ousting of President Abufaz Elchibey of Azerbaijan.

Now Mrs Çiller faces dissent from among her own backbenchers over the composition of her cabinet, announced on June 25.

As if that was not enough, amid the continuing debate about the status of Turkish workers in Germany, opposition parties have turned on Mrs Çiller, questioning her patriotism after allegations she applied for US citizenship when she was lecturing there in the 1980s. Mrs Çiller's two children have dual nationality.

However, after the shock of the fundamentalist violence,

Mrs Tansu Çiller, Turkey's first woman prime minister, yesterday secured a parliamentary vote of confidence, as deputies rallied to her support in the wake of the worst outbreak of Islamic violence in more than a decade, writes John Murray Brown.

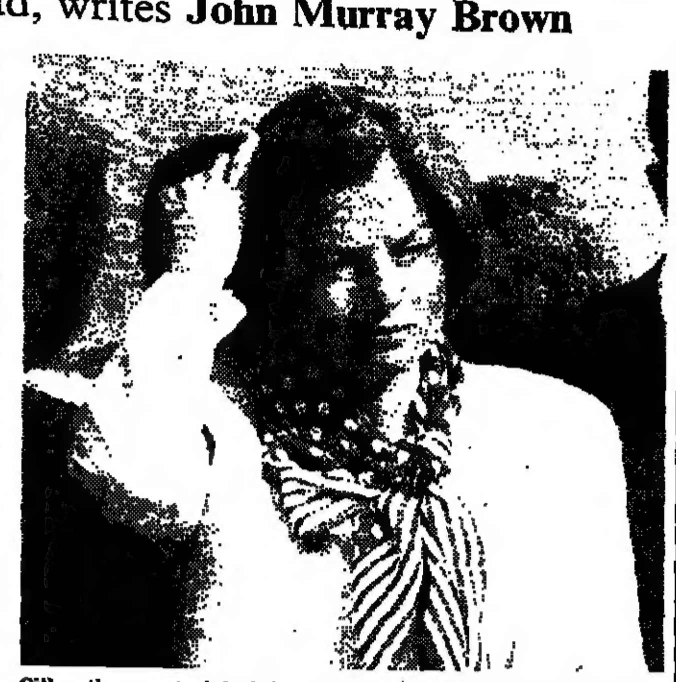
Despite earlier complaints about the composition of her cabinet, her radical economic plans and the potentially embarrassing revelation about her decision to seek US nationality, Mrs Çiller won the confidence vote backed by 247 deputies with 184 voting against in the 450-member assembly.

deputies rallied behind her yesterday, securing a vote of confidence in parliament.

An impulsive character, Mrs Çiller, aged 47, was faulted during her term as economics minister for not building a consensus behind her policies. An unknown force in party terms – she only joined the True Path Party (DYP) in 1990, entering parliament in 1991 – she has now to prove she can handle the rough and tumble of Turkish politics.

She has her hands full. The Kurdish crisis deteriorated with the co-ordinated violent protests in European cities two weeks ago in the wake of the breakdown of a recent rebel ceasefire. More worrying, the Kurdish Workers party, the PKK, has for the first time extended its nine-year campaign of violence to Turkey's tourist resorts with a bomb attack recently at Antalya on Turkey's Mediterranean coast.

Like Mr Suleyman Demirel, whom she replaced when he acceded to the presidency after Mr Turgut Ozal's death in April, Mrs Çiller promises a two-pronged policy on the Kurds. It offers them legal and



Çiller: thrown straight into rough and tumble of Turkish politics

cultural rights while giving carte blanche to the military to prosecute what, with the recent backlash against Kurdish properties in western Turkey, looks like becoming a full-scale civil conflict.

Diplomats are concerned about her appointment of the untried Mr Mehmet Gazioglu as interior ministry. They fear he may not have the grasp of the difficult law and order portfolio, not just in tackling the rebellion but in curbing the excesses of the security forces – a big problem given Turkey's bid to improve its human rights image abroad.

On the foreign policy front, Mrs Çiller's immediate task is Azerbaijan, where Mr Gaidar Aliyev the former communist boss has wrested power from the luckless Mr Elchibey.

The Azeri envoy in Ankara, sought to reassure Turkey this week that commercial deals undertaken by the Elchibey administration would be honoured. However Mr Elchibey was the central player in Turkey's policy in the Caucasus, where support for the moderate forces in Azerbaijan, Armenia and Georgia was viewed as the only way to bring peace to a volatile ethnically-riven region.

In choosing her cabinet, Mrs Çiller gave a clear warning that she intends to be her own woman and not defer to Mr Demirel, her political mentor.

On paper at least, with 17 new ministers, the 32 member cabinet was a radical transformation, with the departure of most of the Demirel loyalists. The changes represent a Turkish version of musical chairs where Mrs Çiller paid tribute to her supporters in the only way available to her, by dispensing ministerials jobs.

Mrs Çiller has chosen to retain the economic portfolio herself. She will have a difficult task meeting her promise of farm reform in a party which depends on rural constituencies where subsidies will be hard to withdraw.

She can expect even more resistance to her privatisation programme from her coalition partners the Social Democratic Populists SHP, traditionally the party of organised labour and white collar civil servants.

As a political outsider her Mrs Çiller's immediate task is to secure her footing in the party and outmanoeuvre her rivals and Mr Demirel who is known to be unhappy about her appointment.

Disease fear as Bosnia fighting flares

AN 11-YEAR old girl was killed and 11 children were wounded yesterday during a renewed Serbian bombardment of Sarajevo, writes Laura Silber in Belgrade.

Relief workers reiterated that the situation was becoming unbearable in the besieged Bosnian capital. They said blood plasma could not be kept without power to run refrigerators. UN officials have also expressed grave concern about the possible outbreak of typhoid and cholera because of the lack of electricity and running water.

Meanwhile, General Rasim Delic, commander of the Moslem-led Bosnian army, ordered his troops to grant safe passage to two Bosnian Croat commanders blockaded inside a Canadian UN base in central Bosnia. Sarajevo radio said UN officials mediated their release in exchange for four Moslems held by Croat troops.

Elsewhere in Bosnia, Serb and Croat forces used "all available weapons" to step up joint attacks on Maglaj, Zavidovici and Zepce, the strategic triangle of towns in north-central Bosnia, Sarajevo radio reported.

At least five people were killed when fighters from the Croatian Defence Council (HVO) shelled Mostar in the south-west. Trapped Moslems were "literally dying" without water or food in soaring temperatures, the radio said.

● Mrs Danielle Mitterrand, wife of the French president, yesterday travelled to Belgrade to plead for the release of Mr Vuk Draskovic, the jailed opposition leader. Government physicians yesterday said Mr Draskovic's condition had "deteriorated." He began a hunger strike at the weekend to press the Serb authorities to release him.

Dalmatians count cost of war

By Laura Silber

"THE Republic of Dalmatia," proclaims a banner headline in a satirical newspaper published in Split, Croatia's port city on the Adriatic.

With no prospect of gaining Serb-held territory, the headline is indicative of the mood in Croatia. The once prosperous Dalmatian coast has started questioning the stewardship of Mr Franjo Tudjman, the president of Croatia.

All but cut off from mainland Croatia by Serb-held territories under UN protection, Dalmatia's inhabitants have been hit hard by the forgotten war. Previously accustomed to a comfortable style afforded by tourist receipts, which amounted to as much as £2bn a year, they are living under stringent restrictions with daily power cuts.

Many Dalmatian towns are hostage to Serb rebels who lob artillery from the hinterland. Inflation is running at 25 per cent a month. Croatia's current GNP of £5.3bn is 30 per cent of the pre-war GNP, estimates Mr Zvonimir Baletic, a Zagreb economist.

Aware of growing discontent, President Tudjman on Sunday vowed to assert control over "every inch of Croatian territory. . . if necessary by force."

Speaking in Split, he promised that trains would soon resume service to the Adriatic through Knin, the rail junction which is also the centre of the self-styled Serb state which cuts Croatia in half.

"It is not only for the good of Dalmatia, but for Croatia as well," he said.

His ruling Croatian Democratic Union (HDZ) is bitterly divided over how to establish control over the republic's borders.

One faction headed by Mr Gojko Susak, defence minister, is aggressively pursuing the carve-up of neighbouring Bosnia-Hercegovina with Serbia.

In an interview this week, he said Croatia will seize control of the frontiers by the end of the year "with or without the UN." According to a recent oppinion poll published in Globus, the Zagreb weekly, 70 per cent of Croatians favour war to re-assert control over the borders.

Mr Susak denied accusations that he wants to annex Hercegovina to Croatia, although last month he reportedly hoisted a Croatian flag over the central Bosnian town of Travnik.

The HDZ hardliners are at loggerheads with a corp of old-time politicians opposed to the partition of neighbouring Bosnia. Critics of Mr Susak's nationalist Hercegovina lobby have warned that the carve-up would set a dangerous precedent for Croatia which could become an unstable confederation with Serb rebels.

In an interview with Danas, the Zagreb news weekly, Mr Franjo Greguric, director of the Croatian oil company INA, said: "I don't think Croatia should permit three states to be created out of Bosnia before resolving the status of the UN zones and returning them to Croatian control.

"I am more afraid of the regionalisation that is brewing in Croatia."

But an opposition politician sees increased autonomy for regions of Croatia as the only blueprint for a stable democracy. "There is no other choice for the state. Croatia needs the renewal of regions with a strong degree of autonomy," he said.

Japan's premier faces a clash between his responsibilities as G7 host and as a leading LDP campaigner

Lame duck Miyazawa will try to do his duty

By Charles Leadbeater in Tokyo

THE summit of the Group of Seven leading industrial nations this week has become caught in the swirl of campaigning for Japan's snap general election on July 18. Mr Kiichi Miyazawa is almost certain not to remain prime minister after the election.

His mismanagement of the ruling Liberal Democratic party's warring factions provoked the split in its ranks which led to its defeat in a no confidence motion, thence to the election.

Since then, Mr Miyazawa's authority has drained away. Mr Michio Watanabe, former foreign minister, has called for his resignation. Mr Kabun Muto, present foreign minister, who will be alongside the prime minister at many of the summit sessions, has remarked darkly that Mr Miyazawa's greatest contribution to the LDP election campaign might be to die suddenly, inspiring sympathy votes.

In spite of the attacks on him within his own party, as well as from the opposition, Mr Miyazawa will want to be seen to be fulfilling his national and party duty.

The LDP will want to use the summit to show it is the only party capable of the statemanship needed to represent Japan at the top table of international politics. Mr Miyazawa will make polite noises about Japan's aspiration to become a permanent member of the United Nations security council, about its international aid programme and its role as a representative of Asian interests within the G7.

Yet several issues will present him with a clash between his responsibilities as host and his duties as leading LDP campaigner.

President Bill Clinton and other leaders are likely to play up the significance of the planned $2bn privatisation fund for Russia, even though most of the money will be redirected from existing aid programmes. The idea of giving more money to Russia is unpopular in Japan, however, partly because President Boris Yeltsin has twice cancelled recent visits to Tokyo to discuss unsettled territorial disputes.

As host, Mr Miyazawa will be unable to distance himself from the fund, which he will officially present to the world. As LDP leader, he knows his party's electoral standing would be improved by taking a hard line on the issue.

So one of the more significant meetings for Japan could be Mr Miyazawa's session with Mr Yeltsin. The LDP hopes the Russian leader will stress the significance he attaches to good relations with Tokyo and promise to reschedule his visit. Such a pledge might soothe Japan's badly wounded pride and get Mr Miyazawa out of his dilemma.

Electoral considerations will also weigh heavily in Japan's conduct of talks with the US and over the Gatt world trade negotiations. Mr Miyazawa will not want to be seen to concede anything to the US president on trade talks between the two countries. A tougher line will play better with the Japanese electorate.

Japan would like to claim responsibility for overseeing a Gatt talks breakthrough, but it will not make concessions that could hurt domestic constituencies which, two weeks later, could punish the LDP.

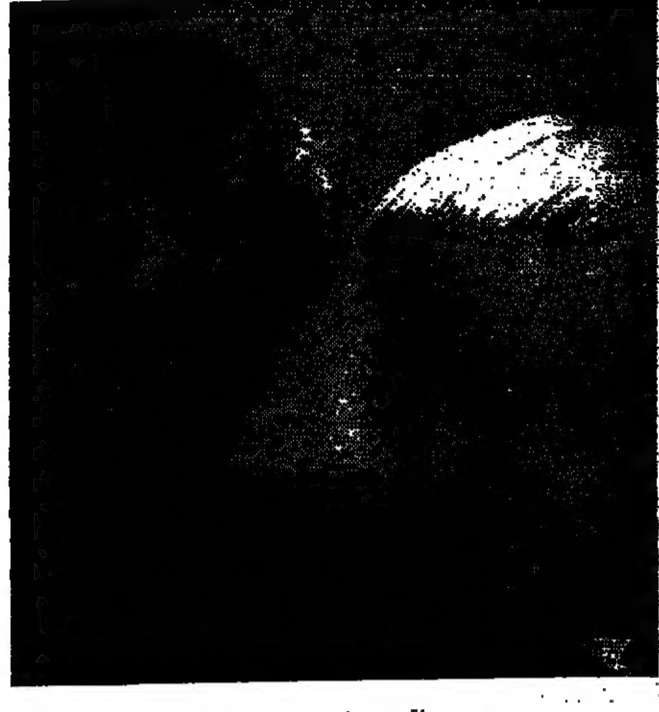
Even so, Mr Miyazawa will not be able to do much about his main problem – his image as a tired, ageing politician alongside the youthful Mr Clinton, who is to meet some of the opposition leaders who could form the next government.

The president's zest will only strengthen the reformers' argument – particularly that of relatively young leaders such as Mr Morihiro Hosokawa of the New Japan Party and Mr Tsutomu Hata of the Japan Renewal Party – that Japanese politics needs to jump generations so as to produce new policies for Japan's expanding world role.

The more this is Mr Clinton's summit, the less it will be Mr Miyazawa's. A few months ago, the latter was looking forward to the summit as a staging post to his second two-year term as LDP president and prime minister. Instead, it could be an uncomfortable end to a long career at the top of Japanese politics.

Miyazawa: authority is draining away

Clinton: bullish in public about the debate



Yeltsin: wants to come for concrete results

US officials talk tough – off the record

By Jurek Martin in Washington

US OFFICIALS, like their counterparts everywhere, speak differently depending on whether they are on or off the record. This has been more than usually the case in briefings on US hopes for the Group of Seven leading industrial nations' summit in Tokyo this week.

Speaking for publication, and identifiable by name, President Bill Clinton and senior administration members are bullish about both the economic and political debate in Tokyo. The president, in his interview with foreign correspondents last Friday, had little doubt that the G7 could still serve a valuable problem-solving purpose under US example and leadership.

Mr Lloyd Bentsen, the treasury secretary, was more colloquial. Economic summits, he said, "usually don't bring surprises and if they do something's wrong".

But he followed deflation with inflation. At Tokyo, he said, "there is something of a surprise and it is a pleasant one because economics is actually at the top of the agenda again – and it's pocketbook economics – jobs, growth and trade."

Mr Warren Christopher, the secretary of state, trots off the economic agenda, including aid to Russia, before waxing eloquent about the symbolic and practical significance of the fact that Mr Clinton's first foreign trip outside North America is to Asia.

For the record, US officials emphasise how much of a leadership role the US has played since Mr Clinton took office – in finally meeting the long-standing demands of its G7 partners that it do something about its budget deficit and in putting together the assistance package for Russia.

All subscribe to the importance of reaching a Uruguay Round trade agreement by the end of the year, without raising hopes for Tokyo.

All are equally circumspect about the bilateral negotiations with Japan. Mr Bentsen talks about "an outside chance" of a breakthrough in Tokyo, while Mr Christopher, a shade tougher but also further removed from the talks, points out that Mr Miyazawa "is acting for the Japanese government" and thus technically not yet without authority.

However, off the record, the language is less diplomatic. US officials see the attack by Mr Edouard Balladur, the French prime minister, on US anti-dumping levies on steel as totally egregious and ignorant and French policies generally as a serious threat to any hopes for the Uruguay Round. Mr Balladur, who is absenting himself from Tokyo, was described by one senior official as an outright protectionist and obstructionist, out of the ordinary even by French standards.

Nor is there any sympathy for the EC's latest stand on trade in textiles, a simmering issue but not one the US had thought could block the round. However, there remain hopes of sufficient accord between US and EC positions to make some form of market access agreement feasible.

Mr Clinton declines to criticise the monetary policies of the Bundesbank, because it is an independent central bank. But other officials will go to Tokyo with charts pointing out how much growth can be generated in the US economy by each basis point reduction in interest rates, presumably with a view to suggesting that Germany is not so different from the US that the same results cannot be achieved.

Officials can be caustic in private about Japan, too, reflecting the constant see-saw battle inside the administration between the Japan-bashers and those seeking more creative engagement.

Last week, out of deference to Japan's political uncertainty, the US postponed retaliatory sanctions against Japanese discrimination against foreign construction contractors. But there was no evidence of any weakening of the US view that its proposed new framework for negotiations, which includes voluntary numerical targets for import penetration and reduction of the Japanese current account surplus, was reasonable.

Perhaps the bleakest Tokyo prospect of all – and about the only one which ever causes the name of Britain to pass the lips of US officials – concerns Bosnia. All Mr Christopher would say, on the record, was "I don't have any idea what the political communiqué will say with respect to that."

Mr Clinton's great advice is not to pay too much attention to whatever is in the summit communiqués, already mostly drafted in advance. He professes no interest in summit formalities, as exemplified by communiqués and large dinners and entertainments. He wants a proper talking shop – on or off the record.

Tail-end Yeltsin asks for more

By Leyla Boulton in Moscow

RUSSIAN President Boris Yeltsin has three requests for more, to put to leaders of the Group of Seven when he attends the tail-end of their summit in Tokyo this week: more money, more trade and more understanding.

Although support for Russia's market reforms is not high on their list of priorities, it is one of the few areas on which leaders of the world's seven richest countries will be able to agree.

"The rails have already been laid down for this," said one western diplomat, referring to the $43bn (£28.6bn) package of aid and loans drawn up in April. Some of it has already been delivered, in the shape of a $15bn debt rescheduling by the Paris Club of creditor governments.

The only disagreement is over the size of a fund which Russia wants to help in the restructuring of its industrial enterprises after their rough and ready privatisation. Europe and Japan have already scaled it down – to about $2bn from the $4bn requested by US President Bill Clinton.

Mr Boris Fyodorov, Russian finance minister, who is accompanying Mr Yeltsin to Tokyo for the meeting on Friday, says the only "real failure" since April has been the European Bank for Reconstruction and Development's inability to deliver, "even in prototype form", a $300m fund to promote small businesses.

But, as he battles at home on several fronts, Mr Yeltsin wants to avoid appearing a weak supplicant on the international stage. "Yeltsin is quite cautious. He does not want to be in the position of [former Soviet leader Mr Mikhail] Gorbachev in London in 1991. He wants to come for concrete results," Mr Fyodorov said.

Unlike Mr Gorbachev, who presented an unimpressive reform programme when he made a first request for G7 support, Mr Yeltsin has earned and received western support since launching economic reforms in January 1992.

The relationship has developed so far that the Russian president will even be able to tell western leaders what he does not want from them. For instance, he will be pressing for more western assistance in the form of grants and soft loans, saying that loans at commercial interest rates to pay for western imports do not really amount to help.

Mr Alexander Shokhin, deputy prime minister for foreign economic relations, said at the weekend Russia could not afford to borrow more than $5bn of the G7 package's $10bn in export credits and guarantees.

Western leaders in turn should be able to conclude that setting conditions for western support, as a way to further reforms in Russia, can work. This thesis was somewhat discredited last year when domestic political pressure caused Mr Yegor Gaidar, the reformist prime minister who launched market reforms, to fail to deliver over-ambitious promises to the International Monetary Fund.

But, since Mr Yeltsin's referendum victory over his conservative opponents in April, Mr Fyodorov and other reformers in the government have been able to secure a liberalisation of coal prices and big increases in interest rates, as part of the conditions for a new $1.5bn loan from the IMF granted last week.

Mr Yeltsin has said his most important task at the summit is to end trade "discrimination" against Russia, so that it shall be in a stronger position to help itself through increased export revenues.

It is difficult to see what concessions can be granted at Tokyo on this front, apart from a vague statement supporting Russia's speedy admission to the General Agreement on Tariffs and Trade and a pledge to remove outstanding Cold War restrictions.

Mr Shokhin says the most useful result of the summit would be "a change in language" to one between equals.

For Mr Anatoly Chubais, deputy prime minister for privatisation, the enterprise fund is of utmost importance for the west to prove itself a "historic partner" in Russia's striving for economic freedom and democracy.

As he sets about transferring to private hands half Russia's industrial capacity this year alone, his main concern is to prevent privatisation being discredited by failures while domestic credit is increasingly hard to come by.

Mr Fyodorov says his top priority at Tokyo is to start discussing further loans from the IMF – including a a more traditional stand-by loan which carries stricter conditionality and which Moscow wants to conclude by October 1.

He will also be telling G7 leaders that Russia is on track to cut its budget deficit and inflation rate, and that the rouble has at last stabilised at about 1,000 to the dollar.

There are doubts as to how these developments may last but progress has been made in furthering market mechanisms – for instance, in widening the foreign exchange market and controlling the distribution of central bank credits.

Suharto in plea on farm reform

By Robert Thomson in Tokyo

PRESIDENT Suharto, the Indonesian leader and head of the Non-Aligned Movement, yesterday urged the Group of Seven (G7) leading industrialised nations to reach a quick agreement on the liberalisation of farm trade, which would assist developing countries.

In a pre-G7 meeting, Mr Suharto told Mr Kiichi Miyazawa, Japan's prime minister, that a settlement of the Uruguay Round of trade talks must be fashioned with the needs of developing countries in mind, as these were particularly vulnerable to shifts in trade policy and protectionism.

Mr Suharto, in his role as chairman of the 108-member group, said economic assistance from developed countries should not be linked to human rights issues. He was reflecting the concerns of various developing countries, in particular China, which complains that the US has linked trade and aid policies to progress in human rights issues.

Mr Suharto did not get his original wish to address the summit himself.

Quadrilateral talks continue to the last minute

By Michiyo Nakamoto in Tokyo

TRADE officials of the US, Japan, Canada and the European Community were last night locked in negotiations in a last-minute effort to agree a broad market access deal for goods and services, aimed at reviving the stalled Uruguay Round of trade talks.

The official-level talks are to be followed by a trade ministers' meeting of the four today at which participants hope to agree a package and approve a report to present to the Group of Seven summit in Tokyo tomorrow.

However, considerable differences still existed, making it necessary to extend the official-level talks until the eve of the ministers' meeting.

The final trade ministers' meeting before the summit comes after the four failed to agree a market access package at a ministers' meeting in Tokyo less than two weeks ago.

At that time, US reluctance to reduce tariffs on textiles sufficiently to satisfy other members, Japan's refusal to do the same for spirits and wood products, and the EC's position on electronics were seen as big obstacles to a wide-ranging package.

Failure to reach agreement on a market access package would endanger hopes of concluding the long-stalled Uruguay Round this year.

Mr Peter Sutherland, the new director general of Gatt, has called the G7 summit in Tokyo a "crucial catalyst" for rescuing the stalled round.

Officials in Tokyo were, however, cautious about the prospects for reaching agreement so late in the day. Whatever progress is made will be made hereafter, said one official yesterday.

Caricom summit to discuss Nafta relief

By Canute James in Nassau, the Bahamas

LEADERS of the 13-nation Caribbean Community begin their annual summit today seeking ways to cushion the region's small, open and fragile economies and to limit the dislocation caused by changes in the global economy.

High on the summit's agenda will be the potentially damaging impact of the North American Free Trade Agreement. Despite delays in the path of the agreement's implementation, the Caricom countries are pressing ahead with plans to protect their preferential markets in the US and Canada, particularly from Mexican products.

Caricom and Central American states are pinning many hopes on draft legislation being proposed by Mr Sam Gibbons, a Florida congressman who is chairman of the trade subcommittee of the House ways and means committee. It asks that regional exports to the US which are not now given preferential access should be treated favourably for the first three years of Nafta.

The 24 countries in central America and the Caribbean benefiting from Washington's Caribbean Basin Initiative for the past nine years have suffered a collective trade deficit with the US, and they have argued that they could do better if several products, now denied, could be given preferential treatment under the "Nafta parity bill". These include textile and apparel, footwear and other leather goods and petroleum products.

During the three years the CBI countries would have the opportunity of negotiating their future trade relationship with the Nafta signatories, with options of seeking membership either as individual states or as a group such as the Central American Common Market or Caricom. They would also have a safety net in that they could return to the status quo under the CBI.

The Caricom leaders will also deal with the controversy over access for bananas to the European market, particularly the continuing efforts by Latin American producers to have the the General Agreement on Tariffs and Trade rule on the propriety of the EC's new import regime, implemented last week, which favours fruit from traditional sources, including the Caribbean, while limiting access to cheaper Latin American fruit.

Since it was created 20 years ago, Caricom has struggled, with limited success, to realise the integration of the region's economies, leading eventually to the creation of a common market.

Several delegates to the summit have suggested that unless the deliberations conclude at the weekend with clear indications of how Caricom intends to deal with these and other problems, public credibility in the achievement of a common market for its 6m people will fall even lower.

Venezuela's slip from spoils to scarcity

Stephen Fidler examines how a two-party national political scene is disintegrating

THE TWO parties which have run Venezuela since its return to democracy in 1958 are struggling in the face of elections this year.

The leaders of the parties – Democratic Action (AD) and the Social Christian Copei – used to thrive by judicious division of the country's oil wealth among the elite groups which, with them, ran the country: business, trade unions and the military.

Now that is over. Oil income has fallen sharply and a system of government equipped to divide spoils has found it almost impossible to allocate scarce resources. The parties, especially their leaders, are widely blamed for Venezuela's decade-long economic decline.

Of the leading candidates for the December presidential election, only one, former president Mr Rafael Caldera, can be described as a politician of the old school, but he is not standing for a traditional party.

Mr Caldera, 77, was forced to defect from Copei, the party he founded, to stand for president this time. As the candidate of the Movement to Socialism (MAS), he is sharing the lead in opinion polls, with support of up to 30 per cent.

Mr Caldera has managed, by shifting parties, to avoid the perception that he is an party machinator in the old style. He has catered to popular demonology; his populist campaign is attacking President Carlos Andrés Pérez, now suspended from office on corruption charges, and the latter's economic reform package. Mr Caldera is also laying into the discredited leaders of the traditional parties, known as the *cogollos*.

The other front-runner, say opinion polls, is Mr Oswaldo Alvárez Paz, 50, governor of the important western oil state of Zulia and Copei's presidential candidate. A man from outside the party mainstream, he defeated the traditional Copei runner, Mr Eduardo Fernández, in a primary.

Mr Fernández suffered because he was too closely identified with the *cogollos*. Now, says Mr Aníbal Romero, a political scientist close to Mr Fernández, Copei is "a party without a candidate that has a candidate without a party".

Much of the old AD party machinery is also withholding support from its party's candidate, Mr Claudio Fermín, 43. The polls show him, also chosen by primary, attracting less than 10 per cent support. For the moment, links to AD appear to be more of an electoral liability than an asset, in part because of the deep unpopularity of Mr Pérez, an AD veteran.

Polls say Mr Andrés Velásquez of the left-wing Causa R and governor of the eastern industrial state of Bolívar, is attracting support in the percentage high-teens, often from disaffected AD voters.

Despite apparent growing momentum behind Causa R, Mr Velásquez is given only an outside chance of winning the presidency. Some politicians with contacts in the military say there is also doubt over whether the armed forces would accept a Causa R administration. So some analysts think Mr Velásquez, still only 39, might be do well to throw his support behind Mr Caldera, to form a powerful left-leaning coalition. Then he could benefit by a degree of power under a Caldera presidency and position himself for a future presidential race.

Left or right, a future president will have to confront, sooner or later, the dire state of Venezuelan government finances – which will be only partly ameliorated if proposed tax legislation becomes law – and the deplorable condition of public services. It is difficult to see how these problems can be resolved in a non-inflationary manner without further fundamental reform of the state.

Yet such reform is almost a taboo word for Venezuelan politicians seeking election. Mr Alvárez Paz is the candidate most closely associated with reform. When he secured the nomination in early May, euphoria ensued in financial markets.

Yet what may be popular with bankers may be an electoral liability: Mr Alvárez Paz is thought likely to have to downplay economic reform in his campaign. Even if he wins, the governor will be a president elected by a minority and unlikely to have a secure majority in Congress.

In fact, whoever wins, Congress is likely to be more fragmented – because of the declining popularity of the traditional parties and the fact that, as in 1988, half the deputies in the lower house will be elected from constituencies, rather than from the traditional party slate.

The legislature will also probably be antagonistic to reform.

According to some, potential antagonism between the presidency and Congress will be accentuated by the effort to impeach Mr Pérez – sucessful so far – which legislators may try to emulate against other unpopular presidents.

All of which suggests Venezuela will remain difficult to govern for the foreseeable future. Asked how he rated the chances of the next president ruling constitutionally for his full five-year term, Mr Romero answered: "Not very high, I'm afraid."

EC studies US soda ash 'dumping'

By David Dodwell and Andrew Hill

ALLEGED US dumping of soda ash – the main ingredient in glass making, and a $650m (£430m) business in Europe – is to be investigated by the European Commission, following a complaint from European chemicals manufacturers.

The complaint, which is being pressed through Cefic, the European chemical industry council, was heard yesterday by the EC's anti-dumping committee.

It is headed by Solvay, the Belgian company which is the world's leading soda ash producer.

A spokesman claimed yesterday that US imports had increased from 50,000 tonnes in 1990 to 634,000 tonnes last year, while prices have dropped by 15 per cent since 1991. "Some people would consider this to be a sign of injury," he said.

US soda ash manufacturers say sales to Europe have slumped by 25 per cent in the first five months of 1993. They also insist that almost one third of US exports are from subsidiaries owned by Solvay and Rhône-Poulenc.

Solvay claims that the dumping margin is as much as 15 per cent, and argues that pressure from cheap US imports was one reason why it was forced to close its 100-year-old soda ash plant in Couillet, Belgium, and to consider closure of another plant at Heilbronn in Germany. However, both were small and comparatively inefficient, and production has been shifted to newer plants, including a new plant at Bernberg in eastern Germany.

Europe is one of the world's most fiercely protected soda ash markets, with tariffs averaging 10 per cent. This compares with zero tariffs in Japan and 1.2 per cent in the US. In 1990, ICI and Solvay were fined a record Ecu47m (£32m) for carving up the soda ash market. ICI has since sold its UK production facilities to an Australian company.

Complaints by European manufacturers have risen recently as eastern Europe – in particular Poland – has joined the US as an aggressive exporter of soda ash.

European chemicals face the acid test

Paul Abrahams looks at the market implications of increased competition from eastern manufacturers

THE WEST European chemical industry has been making vociferous complaints about the damage being wrought by increasing levels of east and central European imports.

Last week, Cefic, the European chemical industry's trade association, urged the EC to implement trade instruments against some imports from the region. The grumbling comes in spite of the large overall benefits to the EC's chemical industry from the opening of east and central European markets.

EC chemical exports to Bulgaria, the Czech and Slovak republics, Hungary, Poland and Romania increased from Ecu1.38bn (£1.06bn) in 1990 to Ecu2.10bn last year, according to figures from Eurostat, the EC's statistics institute. The EC's surplus in chemicals trade with its eastern neighbours rose to Ecu1.01bn last year from Ecu527m in 1990.

A large proportion of that improvement has been in high value medicines. The EC's surplus in pharmaceuticals rose from Ecu175m in 1990 to Ecu371m last year. However, such successes in high-value products are of little consolation to west European commodity chemical companies suffering the brunt of east European imports.

The loudest complaints have come from west European companies manufacturing fertilisers, soda ash, polyvinyl chloride (PVC), caprolactam (a precursor of nylon), and melamine (a plastic).

Imports of east European PVC, for example, have increased from 84,000 tonnes in 1989 to 270,000 tonnes last year. Soda ash imports from the east have risen from 27,000 tonnes to 162,000 tonnes. And imports of caprolactam have gone up from 606 tonnes to 33,000 tonnes.

These imports have replaced west European production at a time when manufacturers have been grappling with sluggish or falling demand. Western manufacturers also argue that the flood of eastern imports has depressed west European price levels, because the imports have been sold at unduly low prices.

Admittedly, some sectors were suffering from significant structural overcapacity before the appearance of large-scale eastern imports. Nevertheless, the problem is serious in some markets, claims Mr Hugo Lever, director general of Cefic.

Mr Richard Bauer, secretary general of the European Fertilisers Manufacturers' Association (EFMA), warns: "We want to help these countries, but not if it means committing suicide." Last year, the west European fertiliser industry lost $1.1bn on a turnover of $8.4bn.

Between 1988-89 and 1991-92 imports of nitrogen fertilisers from central and east Europe, excluding the former Soviet Union, have more than doubled from 366,000 tonnes to 827,000 tonnes, according to the EFMA. Their share of the EC market has increased from 4 per cent to 9 per cent. Imports from the former Soviet Union have increased from 59,000 tonnes to 300,000 tonnes.

"It's not just a question of the increasing penetration by east European imports. It's the prices at which they are coming in. They've got no idea of costs," says Mr Bauer.

The position in PVC is broadly similar to that in fertilisers. Manufacturers claim east and central European imports have aggravated an already difficult situation.

Nearly half of PVC imports are now from eastern European suppliers. Polish imports have increased from 17,000 tonnes in 1989 to about 67,000 tonnes last year, according to Cefic. Over the same period, imports from the Czech and Slovak republics have risen from 28,000 tonnes to 75,000 tonnes. By 1992, east European imports captured about 9 per cent of the EC market.

Mrs Josée Lafleur at Cefic argues most of the damage in the PVC market has been generated through low-price imports undermining the pricing structure. In Germany, Europe's largest market, the price of pipe-grade PVC slumped last year from about DM1.75 a kilogramme to DM1. The industry needs about DM1.45 to break even.

Western soda ash manufacturers, which include Solvay, Rhône-Poulenc and BASF, also claim they are suffering, although their case is less convincing than in the other sectors.

Imports from Bulgaria, the largest eastern importer, more than doubled from 42,000 tonnes in 1991 to 91,000 tonnes last year. But American imports have caused far much more damage in volume terms, increasing from 350,000 tonnes in 1991 to about 600,000 tonnes last year.

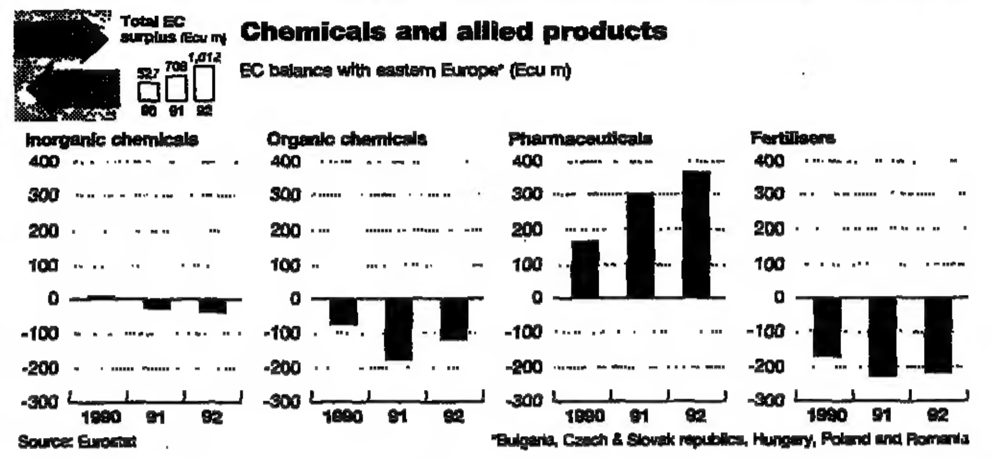
Meanwhile, in the caprolactam sector, Mr Hans van Liemt, president of DSM, the Dutch group, says competition from eastern Europe has contributed to a fall of up to 40 per cent in prices.

The reaction of the chemical industry as a whole to the east and central European problem is one of ambivalence. So far, Cefic is not considering anti-dumping action. Firstly it does not want to, and secondly, there are difficulties of comparing prices in east Europe with those in the west.

"In principle we support the EC's efforts to liberalise trade with that part of the world," says Mr Lever. "If we do not help they will never become significant markets for our products. We must explain to these manufacturers about marketing techniques."

Even without western help, central and east European manufacturers are beginning to learn about the adverse effects of aggressively priced imports.

Mr Lever says they too are suffering low-price imports – this time from the former Soviet republics. With just a hint of Schadenfreude, he says: "Hungarian fertiliser manufacturers are really beginning to suffer from Russian imports."



Sutherland warning for G7

By Frances Williams in Geneva

MR Peter Sutherland, the new director-general of the General Agreement on Tariffs and Trade, warned yesterday that failure by the Group of Seven leaders to inject new momentum into the stalled world trade talks at their summit in Tokyo later this week would put not only the Uruguay Round but the multilateral trading system and the world economy at risk.

"Concrete progress" on a package to open markets to foreign goods and services was needed to relaunch the 116-nation negotiations in Geneva, he said. With just five months before the December 15 deadline for concluding the round, a failure to move forward would deal the round "a very serious blow" and endanger the multilateral trading structure built up since the war.

In his first news conference since taking over at the helm of Gatt on July 1, Mr Sutherland said the best hope for the 26m jobless in the G7 countries lay in bolstering business confidence with a rapid and successful conclusion to the round.

Calling on the summit to resist protectionist pressures, he said some 23m jobs in the seven countries depended on exports of goods and would be at risk from protection of ailing industrial sectors.

"It cannot surely be the case that special interest groups within the major trading areas can hold the whole process to ransom," he said. "If the G7 leaders are serious about attacking the root of chronic long-term unemployment, about re-igniting growth and prosperity, about creating a new dynamism, the way to do it is by actively assisting in the conclusion of the Uruguay Round."

This could boost world income by $200bn a year.

Mr Sutherland added that despite recent setbacks he expected a successful conclusion to the round. "I cannot believe we are capable of taking such a collectively ridiculous decision as to endanger the multilateral system."

Making clear he intended to take an active role in shepherding the seven-year-old round to completion in December, Mr Sutherland said he would "devote every bit of energy" he had to finding solutions to problems blocking progress.

However, his "fundamental role" was as an honest broker between the parties.

Machine tool deal

By Andrew Baxter

JONES & SHIPMAN, the UK machine tool builder, has won an important £400,000 order from Tong Nam Precision, a South Korean toolmaker, for one of its sophisticated "creep-feed" grinding machines.

J&S described the order as a breakthrough in terms of industrial application and market.

Creep-feed grinding involves passing the component under the grinding wheel at a slow pace, allowing more metal to be removed. The order for Tong Nam includes a cylindrical grinding machine.

Brazil tariff reductions

THE last round of Brazilian tariff reductions under former President Fernando Collor's import liberalisation programme have came into operation but they could mark the last tariff cuts until 1995, if leading politicians, business people and labour officials get their way, writes Bill Hinchberger in São Paulo.

The average tariff dropped to 14 per cent, down from 17.1 per cent. The standard tariff, charged for the greatest number of products, fell to 20 per cent, and the maximum rate was reduced to 35 per cent.

Brazil's next scheduled revision is set for January 1995 under the Southern Cone Common Market (Mercosur) umbrella, when Argentina, Brazil, Paraguay and Uruguay are to establish a unified external tariff system.

Business leaders have been insistent that tariff reductions should be put on hold until there is a recovery in the Brazilian economy. They are also urging the government to reduce tax rates and infrastructure costs.

Mr Luiz Fernando Furlan, international director for the São Paulo Federation of Industry (FIESP), the country's leading business group says: "The factors that burden production are rooted in the government."

Politicians and officials from the administration of President Itamar Franco are cautious over further import liberalisation. Rising imports and actions against Brazilian exporters, such as anti-dumping action by the US against steel producers, have been adding fuel to the debate over trade.

Since last year, Brazilian chemical and petrochemical producers have been increasingly vociferous in their calls for more anti-dumping regulations.

Some industries, including textiles and automobiles, are calling for import quotas, arguing that these would reflect international practices.

New Delhi to press ahead with reform

By Alexander Nicoll, Asia Editor

INDIA plans further substantial reforms over the next three years, according to a Finance Ministry discussion paper marking the first two years of the government's economic restructuring programme.

The document – Economic Reforms: Two Years After and the Task Ahead – says a number of further measures are needed to remove disincentives to exports, including the phasing out of quantitative restrictions on exports and reductions in the customs duty structure.

The 1991 payments crisis which triggered the reforms underlined India's vulnerability on the external payments front, it says. "Rapid export growth is the only sure way of achieving self-reliance, enabling us to finance our import needs without excessive reliance on foreign borrowing."

Among the changes planned are further cuts in subsidies, a more flexible approach to prices administered by the government, a move to a simpler tax structure with a broader base, greater emphasis on primary education and basic health, and faster reform of the financial sector.

However, the ministry is restrained on plans for privatisation, a sensitive political issue. It says there is "considerable merit" in a proposal for a committee on restructuring and disinvestment in public sector enterprises. Among the committee's tasks would be to detect incipient financial problems in the enterprises, and to shut down those which were irretrievably loss-making.

It highlights a problem in the implementation of industrial reforms: although the central government has removed many restrictions on industrial investment and production, these are still pervasive in many states.

"The requirements for licences, permits and inspections at state and local level continue to be onerous and extract a heavy toll in terms of effort and resources from industrial units," the report says. Companies face difficulties in obtaining land, water and electricity.

To achieve its goal of reducing the central government's

> 'Requirements for licences, permits and inspections at state and local level continue to extract a heavy toll'

fiscal deficit to 3 per cent of GDP by 1996-97, the ministry plans further cuts in fertiliser, food and energy subsidies. User charges for basic services such as electricity, irrigation, road transport and non-primary education must be raised progressively.

Where prices for services such as power and transport continue to be administered by the government, they should be changed frequently to prevent build-up of losses.

The ministry aims in the long term to introduce a value-added tax, but says this requires constitutional changes on the allocation of taxation powers between New Delhi and state governments.

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Unstable coalition predicted in Japan

By Robert Thomson in Tokyo

JAPAN could face another general election in the next year as the poll later this month is likely to create an unstable coalition government with a limited life, Mr Ichiro Ozawa, the former Liberal Democratic party powerbroker, forecast yesterday.

Campaigning has begun for the July 18 election, but Mr Ozawa, the force behind the new Japan Renewal party, said the LDP would not gain a clear majority and an opposition coalition, including the JRP, would have difficulty staying together.

A Japanese television news poll yesterday found the leader of the JRP, Mr Tsutomu Hata, was the most popular choice for the next prime minister. Mr Ozawa said his party would consider a coalition with the opposition Social Democratic party, formerly the Japan Socialist party, as long as Mr Hata controlled the cabinet.

Mr Ozawa predicted this month's election would be the start of a transitional period of instability, with the possibility of further splits in the LDP and SDP, the creation of new parties, and the collapse of the next government leading to a new election in the next year.

"If we have a non-LDP administration, the priority must be reform of the political system, and then there will be real changes in the political world," Mr Ozawa said. By reform he meant redrawing of electoral boundaries and replacement of the present multi-seat constituencies with single seats.

But he saw these structural changes as only the starting point for political change which would end when there was a change in Japan's political consciousness. "We need to have a political system in which politicians are responsible and take responsibility."

He suggested the current election campaign was cheaper to run than those in the past because of the rise of new parties and general enthusiasm for reform, reducing the importance of corporate donations. Mr Ozawa was famed at the LDP for his fund-raising abilities.

"It's different from past elections – we can feel the reform wind and it is helping our campaign," he said.

UK offers £15m development aid to Vietnam

By Alexander Nicoll, Asia Editor

BRITAIN yesterday agreed to give Vietnam £15m to help in the development of management expertise and infrastructure following President Clinton's decision to end a US block on loans from international financial institutions.

Mr Vo Van Kiet, Vietnam's prime minister, yesterday met Mr John Major, his British counterpart, as part of a four-day visit to Britain which took place in a new atmosphere of optimism about business prospects following Mr Clinton's announcement last Friday.

Mr Kiet held talks with Lady Chalker, minister for overseas development, Lord Wakeham, Lord Privy Seal, Mr John MacGregor, secretary of state for transport, and Mr Eddie George, Bank of England governor. He has also met executives of British Petroleum, British Aerospace, British Gas and John Laing, the construction group, as well as many other British businessmen.

Britain, one of the leading investors in Vietnam, mostly in the oil and gas sector, hopes to win an important role in carrying out urgently needed improvements to Vietnam's infrastructure which will be funded by loans from the World Bank and Asian Development Bank once the ban on multilateral lending is lifted as a result of the latest Washington move.

The UK is granting £5m for a programme to train managers in industry and finance, and will make £10m available to fund consultants who will help Vietnam to establish priorities in infrastructure projects.

Non-US companies may have a temporary advantage in winning Vietnamese business since Mr Clinton has given the go-ahead for international financing but has not yet lifted a US trade embargo.

However, this may be short-lived. The International Monetary Fund's executive board is expected next week to approve a plan for repayment of Vietnam's arrears to the fund, but an IMF programme – a pre-requisite for other multilateral lending – is unlikely to be in place until the autumn.

Some European officials expect Mr Clinton not to extend the embargo when it comes up for renewal in September. He will come under strong pressure from US business to lift the ban.

South African President De Klerk, US President Clinton and African National Congress leader Nelson Mandela in Philadelphia where the two South Africans were awarded the Liberty Medal

Lagos hit by protest over poll backdown

By Paul Adams in Lagos and Reuter

TRAFFIC in Lagos, Nigeria's biggest city, was disrupted yesterday at the start of a planned one-week protest called by civil rights activists after the military government's cancellation of last month's presidential poll.

A pall of smoke from burning tyres hung over some areas but there were no reports of violence in the sprawling city of more than 6m people.

The protest was the most serious in Lagos since the annulment of elections which Mr Moshood Abiola, a millionaire Moslem businessman, claimed to have won, and the biggest in the city since riots in May 1992 over fuel shortages.

Civil disobedience in south-west Nigeria, organised by the Campaign for Democracy (CD), is aimed at persuading Mr Abiola's Social Democratic party (SDP) to reject President Ibrahim Babangida's plan to hold fresh elections before a handover to civilian rule on August 27.

The CD, a non-party organisation, is the only group to take an uncompromising stance against the government's latest agenda for transition to democracy. The group – comprised of civil rights activists, students and academics – has also called for student groups to be formed to force the military government out of office.

Tens of thousands of people marched through the business centre of Lagos Island and the densely populated mainland to a rally at the SDP's campaign headquarters.

Many of the protesters appeared to be so-called "area boys", youths hard hit by unemployment brought on by Nigeria's battered economy.

A Reuter correspondent said protesters starting off from Mr Abiola's home in Ikeja in mainland Lagos had virtually taken over the suburb where the domestic and international airports are located.

"It's like a carnival," he said.

Many of the protesters chanted or waved placards saying "Go now IBB" (the president's initials) or carried posters of Mr Abiola, declaring him the election winner.

Markets and businesses stayed closed and public transport was scarce. The main trunk road through the city was blocked by barricades and burning tyres.

There were no reports of similar protests elsewhere in Nigeria.

Tight security was reported in Kano and Kaduna in the mostly Moslem north, home region of Mr Bashir Tofa of the National Republican Convention (NRC), the other candidate in the June polls.

The SDP and the NRC have been holding meetings for the past week and were due to meet President Babangida in Abuja last night.

The NRC supports fresh elections but a strong faction of the SDP believes that the June poll results should be upheld.

NEWS IN BRIEF

Iran seeks $670m for metro project

IRAN is seeking $670m of investment by Chinese, Korean and European companies to complete the two main lines of Tehran's underground railway, the head of the Tehran Metro authority said yesterday, Reuter reports from Nicosia.

Iran's IRNA news agency quoted the official, Mr Asghar Ebrahimi, as saying Chinese companies would invest $300m of the total. He was speaking while accompanying China's vice-premier Li Lanqing on a tour of Metro construction sites. Mr Ebrahimi also said that China would provide $120m in credits to build subway carriages.

Other agreements with Chinese enterprises covered the building of a 145MW gas-fired power plant and electricity distribution networks, he said.

Peres positive on peace plan

Mr Shimon Peres, Israeli foreign minister, said after more than two hours of talks yesterday in Cairo with Mr Amr Moussa, his Egyptian counterpart, that the US draft document could "serve as a basis for continuation" of the stalled Middle East peace talks, writes Mark Nicholson in Cairo.

However, he offered nothing on the inclusion of the issue of Jerusalem in talks aiming towards interim Palestinian self-rule. "Israel has a position on Jerusalem that is clear and known and decided," he said. "I don't think we're going to depart from this."

Mr Moussa also added his backing to the US draft, calling it a "good basis" but repeating Egypt's position that Jerusalem should be part of the talks.

UN inspectors leave Iraq

United Nations weapons inspectors left Baghdad yesterday after failing to persuade Iraq to comply with UN Security Council resolutions and let them install monitoring cameras at missile test sites, Reuter reports from Baghdad. A Baghdad newspaper said the inspectors were US lackeys and Iraq would never succumb to intimidation.

The experts flew to Larnaca in Cyprus, where Mr Nikita Smidovich, their leader, said: "Iraq chose this specific issue to put a political spotlight on relations between Iraq and the UN special commission [on destroying Iraqi weapons]. Iraq considers it has implemented all the provisions of resolution 687 while the special commission still has questions."

'Money is not everything, but having no money is worse'

Tony Walker reports from Beijing on the ideological and economic dilemmas of the China that Zhu Rongji must set out to tame

WHEN IT was reported in China recently that someone *had paid Yn400,000 ($70,000)* for a goldfish, People's Daily, the Communist party newspaper, was aghast.

Launching a tirade rarely witnessed these days in its grey columns, the paper railed against "shockingly uncivilised" behaviour of the *nouveaux riches* whom it accused of wanting nothing more than to flaunt their wealth.

By way of example it related the episode of two entrepreneurs, or *get ti hu*, China's new class, who had set out to prove who was the wealthier by lighting an endless string of fire crackers, and when this contest ended inconclusively, they proceeded to set fire to handfuls of banknotes.

"People cannot see a trace of civilisation in these scenes," People's Daily thundered. "Instead we see ugliness, vulgarity, ignorance and stupidity..."

Behind this outburst, and other similar imprecations against "money worship" that are crowding China's official press, lies deepening concern over a get-rich-quick mood that appears to have overtaken the country, exemplified by several recent cases of massive fraud.

One involved a pyramid scheme in which an entrepeneur built a shell company by issuing some Yn1bn of virtually worthless junk bonds to 100,000 investors. Another scam involved an attempt to skim the equivalent of £6.6bn from the Agriculture Bank of China using false letters of credit.

With Chinese enterprises having engaged in the past year or so in a barely regulated bond-issuing binge it would be surprising if there were not vast wads of worthless paper floating around the country.

China's embrace of capitalism, or to use its own phrase, "socialism with Chinese characteristics", is proving painful for the authorities who must sense that old control mechanisms are crumbling, and mere words or even political directives are insufficient to hold back the entrepreneurial tide.

> 'People cannot see a trace of civilisation in this. Instead we see only ugliness, vulgarity, ignorance and stupidity...'

In China, these days, nothing it seems, succeeds like excess.

Greed, accompanied by pervasive corruption, is already causing political problems. Beijing has been obliged to rein in corrupt local officials who have stirred peasant militancy by extorting fees from hard-pressed farmers.

The police have also been accused of falling victim to what Mr Jiang Xianjin, the vice-minister for public security, described recently as "money-oriented ideology". The *minister ordered* "public security organs at all levels" to clamp down on police extortion.

The Communist party, unsure how to ride the new *capitalist tiger*, has intensified its campaign against corruption and money worship, the *officially sanctioned* term for what is clearly perceived as society's chief ill. But it is not clear that sterile demands to combat this modern disease are having much effect.

Thus People's Daily's call for the broad masses to be educated in "patriotism, collectivism, socialist thought and the spirit of working arduously for the great cause" is unlikely to have cut much ice with those it reported flaunting their wealth.

But at another level the emphasis in China on getting rich is stirring a painful debate about the ethics of wealth and how to achieve material well-being. The agony columns of Chinese newspapers are full of plaintive letters from individuals who worry they are being left behind in the scramble for money, and yet had not been prepared for such traumas in a society where issues such as "keeping up with the Wangs" stayed more or less in the background.

Typical of these letters was one that appeared in the Tianjin Evening News from a factory technician who lamented that attending a party with former classmates recently he discovered that those whose "pockets were bulging with money" were the ones who were naughtiest when they were *in the lowest* grades at school. Of himself, he said: "It was people like me who finished *university* who looked shabby and poor."

Signing himself a "useless *man*", the letter writer related his experience with his daughter whom he was using his *meagre savings to educate at a* fee-paying school, only to endure "shame" when he discovered how much better off other children were who were being delivered to the school in cars and on motorcycles.

The letter writer could perhaps be forgiven for being confused, buffeted by propaganda which on one hand has been urging Chinese to "liberate their thoughts", "change their brains", "get rich", and "seize the opportunity"; and on the other being told to adhere to old-fashioned notions of "socialist morality" and "selflessness".

Little wonder that people are perplexed if China's rulers themselves seem to be not quite sure whether they wish *to advance to a glorious new* entrepreneurial dawn or to fall back on to old methods and slogans.

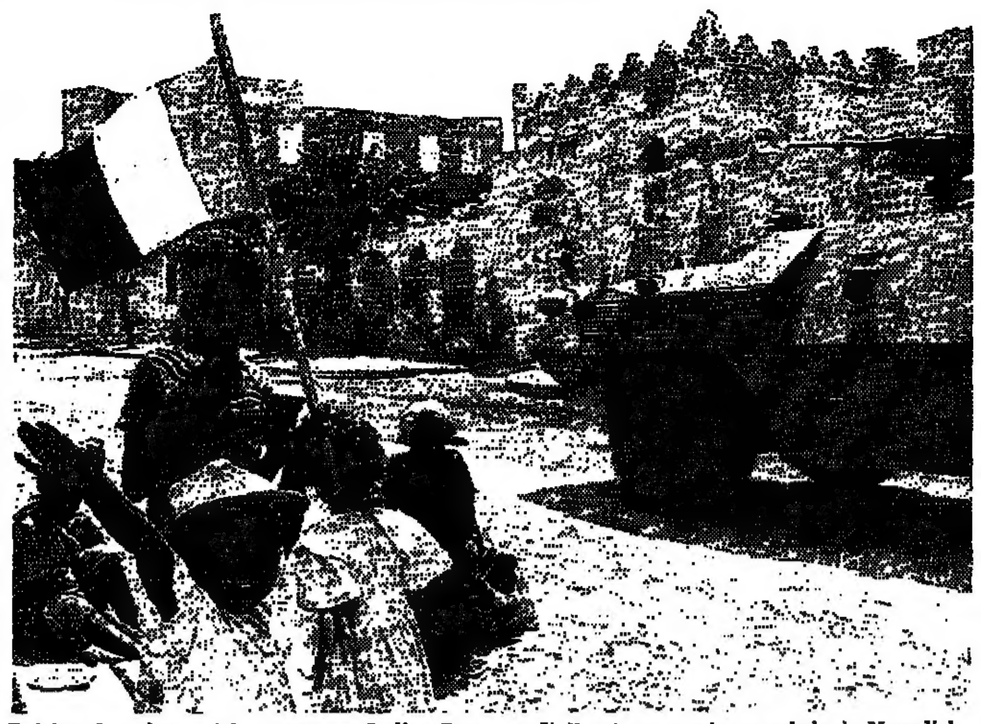
While most correspondence in China's party-controlled press reflects the official line that money-worship is bad, there have been exceptions such as a letter recently in the Workers' Daily. "Some people say we should work arduously and live frugally, which is not a wrong slogan theoretically. But after all times are different now," a writer said.

"For the past decades we became accustomed to living with a tightened belt. Now, reform and opening have brought a better life to people, why should we oppose money worship?

"We should pay some attention to moral issues," the writer added. "But I think the time to do it is not yet ripe, for I'm afraid... it would slow down the pace of people changing their brains and renewing their ideas. Therefore, the building of morality should come slowly."

While the writer did not say it outright, he appeared to be suggesting that the accumulation of wealth should be the primary goal after the austerity of the past 40 years.

"Money is not everything," he wrote, "but having no money is worse." China's rulers would seem to have their work cut out to counter the latter sentiment.



Raising the colours: A boy waves an Italian flag as an Italian troop carrier speeds by in Mogadishu

Italians demand greater say in Somalia operation

By Robert Graham in Rome

ITALY yesterday demanded a greater say in running the United Nations military operations in Somalia, Unisom, as an emotional funeral was staged for the three Italian soldiers killed in a skirmish on Friday in Mogadishu, the Somali capital.

Also, in an usually outspoken statement on a foreign policy issue, Mr Beniamino Andreatta, the foreign minister, said the focus had to shift towards finding a political solution in Somalia. If not the UN commitment risked being both ineffective and indefinite.

The soldiers' deaths – the first of Italian ground troops in combat since the second world war – shocked the nation and prompted questioning about the role of the 2,500 troops who are part of the UN mission there to stop fighting and aid delivery of food to Somalis caught up in the civil war.

Italian opposition parties have called for the withdrawal of Italy's force.

Italy has been concerned for some time over the way the US military in Somalia has failed to co-ordinate with their contingent. There has been at least one incident in which US soldiers started operations without warning in a zone allocated to Italian troops.

This has led to the despatch of a team to Washington to negotiate closer co-ordination, and a meeting due to be held in New York on Thursday among the seven main contributors to Unisom forces. The Italians originally suggested the Unisom command be placed in the hands of one of their generals but appears to have backed off this.

However, the Ciampi government is anxious for demonstrable evidence that they have a more direct say in how operations are managed.

● Germany's first big shipload of more than 1,000 vehicles and around 30 containers steamed for Somalia on Sunday after the Bonn parliament approved a controversial troop deployment there, Reuter adds.

Election fall-out over NZ reform

Terry Hall on controversial plans for sweeping healthcare changes

THE New Zealand government is pressing ahead with a sweeping and costly shake-up of the health service despite an opposition promise to return to the *former system* if elected in a general election later this year.

Controversy, which could *resonate in Britain* and the US, has surrounded the reforms since they were announced in 1991 by the then health minister, Mr Simon Upton.

He was replaced by Mr Bill *Birch in March as government* concern mounted over the electoral damage the plan was *causing*.

One of Mr Birch's first acts as minister was to launch a *NZ$3m (£1m) television campaign* to explain the changes – a move labelled by the opposition *Labour party, which* leads in opinion polls, as "political propaganda". The changes, which came into force this month, are directed principally at funding, with the aim of *introducing business efficiencies*.

In future, large public hospitals, which have been *renamed* as crown health enterprises or CHEs, are expected to be run *on business lines*.

New managers have been hired from the private sector at *high salaries*.

The CHEs are expected to return a dividend or make a profit, *and compete* with private hospitals.

Healthcare funding is being split *from the* provision of services.

Four regional health authorities *(RHAs) are* taking over a budget of NZ$4bn. The RHAs also get a further NZ$1bn to *fund* the cost of disability services, previously the responsibility of the Social Welfare *Department*.

The RHAs are known as the "purchasers" of services. They will buy services from the CHEs and any private organisation that can make competitive bids. Doctors, after difficult negotiations, have agreed to a system of contracts with the RHAs.

The government was accused of being undemocratic when it sacked elected members of the former hospital boards and replaced them with its RHA and CHE appointees. The meetings of these groups will not be open to the public.

The government believed the old system was wasteful and inefficient. But the cost of setting up the news system has been substantial – more than NZ$30m.

Ms Helen Clark, health spokeswoman for Labour, has warned of privatisation through what she says is the "Americanisation" of health services.

In defence of the new system, Mr Birch said: "Money was dished out to the old area health boards. But the elected members thought they were accountable to their voters, so there was a conflict." He added that the old boards always blamed the government for not giving them enough funds and claimed there was a lack of skill and competence in the boards.

He maintained that while the public would not notice any immediate difference, he expected real improvements would soon start to show, including reduced waiting times for surgery.

In response to criticisms last week that the new system was underfunded, the minister announced that health would be given an extra NZ$128m in the next financial year.

Australian premiers told to cut spending

AUSTRALIA'S Labor government, increasingly unpopular since its unexpected election victory in March, risked a further downturn yesterday when it told state premiers to tighten their belts, Reuter reports from Canberra.

Mr John Dawkins, the treasurer (finance minister), facing a stagnant economy and a ballooning budget deficit, asked premiers to come up with an austerity plan to help save the government billions of dollars.

Mr Dawkins told the six state premiers his government had to fill a gap of between A$4bn and A$10bn (£1.8bn and £4.5bn)to achieve a budget deficit target of 1 per cent of gross domestic product (GDP) by 1996-97. He told them to trim another A$1.5bn to A$3bn from their own budgets as part of a national strategy to turn around record low levels of national savings.

Since its election win in March, the government has steadfastly repeated an aim to cut the deficit to 1 per cent of GDP by 1996-97.

The actual 1992-93 deficit, announced on Sunday, was A$14.5bn or 3.7 per cent of GDP, and the government has forecast an even higher deficit of around A$16bn for 1993-94.

Economists have said the 1 per cent target would require huge spending cuts, new taxes or the dropping of big income tax cuts planned for 1994 and 1996.

An new opinion poll, published yesterday, showed Mr Keating's administration is as unpopular as it was before the election. The Saulwick/Sydney Morning Herald poll found Labor trailed the Liberal-National opposition by 39 per cent to 47 per cent. The poll was taken a week ago.

● Money supply grows 0.3% ● Consumer borrowing at £118m in May ● Exporters less optimistic

'Wise men' see potential for high UK growth

By Peter Marsh, Economics Correspondent

BRITAIN has the potential for a period of relatively high growth without undue inflation, a panel of independent economic forecasters told the government yesterday.

Together with official figures indicating an increase in the amount of money in the economy last month and a rise in consumer credit, the report from the so-called "seven wise men" supported notions that a sustainable UK upturn may be on its way.

Among the figures published yesterday, hopes of a revival were underlined by an increase last month in the amount of money in circulation.

Bank of England figures showed that M0, the narrow measure of the money supply – mainly notes and coins in circulation – rose a seasonally-adjusted 0.3 per cent compared with May after a fall of 1.1 per cent in the previous month.

Analysts said the rebound in M0, which pushed the annual growth rate back above the ceiling of the government's zero to 4 per cent monitoring range, would allay fears that retail activity had dipped.

Borrowing by UK consumers, meanwhile, rose again in May, pointing to a gradual recovery in confidence and reflecting the pick-up in retail sales.

Official credit business figures showed that consumers borrowed a net £118m in May. This was below the levels of the two previous months which – at more than £190m in both March and April – were the highest for nearly two years. In spite of the slowdown, May was the eighth consecutive month that consumers borrowed more than they paid back.

The panel of economic advisors, *however, said that in the* short term the recovery could be "slow and patchy", as a result of high personal borrowings, the prospect of tax increases and a slowdown in continental European export markets.

The uncertainties were underlined by a warning from Sir Brian Hill, president of the Building Employers' Confederation, that signs of revival in the housing market were faltering.

He called for an immediate cut in interest rates to boost consumer confidence.

Similarly, confidence about *UK exports has slipped slightly* in the latest quarter according to a survey of directors carried out by Gallup for DHL, the freight company.

The survey showed that exporters are less optimistic than three months ago but 47 per cent have high expectations for orders in the next three months. Orders will be good or excellent in the coming year, 62 per cent believe.

Several members of the Treasury panel said they were also worried by the rising trade deficit.

Their report – their first to Mr Kenneth Clarke, the new *chancellor of the exchequer* – said that "although the depreciation of sterling will have improved competitiveness for a while at least, some of us think that there is still a longstanding problem stemming from the high propensity to import, coupled with relatively modest growth in exports".

Four of the seven advisers also called for tough action to bring down the large gap between government spending and receipts, beyond the rises in taxation announced for next April.

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Britain reluctant to clarify plans for matching EC aid

By Ralph Atkins

DOWNING Street yesterday welcomed an outline European Community agreement on aid worth £2.3bn for depressed UK areas – but refused to say how Britain would interpret the rules on matching EC funds with aid from local or national government.

Past Treasury attempts to *curb its spending on regions benefiting from EC assistance have resulted in clashes with* Brussels, and rows between Whitehall departments and in Westminster.

Downing Street said details of the agreement on "structural funds" reached by Mr Tim Sainsbury, industry minister, at a lengthy meeting over the weekend had still to be worked out – not least because of a dispute on the separate issue of "cohesion" funds for the Irish Republic.

Officials said it would be "extremely cynical" to assume that much of the extra money would be clawed back by the Treasury. The Treasury said the emphasis was likely to be on local authorities meeting requirements on EC funds being matched by domestic governments. There was no commitment for extra sums to be provided by central government.

The prime minister's office said Mr Major was "absolutely delighted" by the decision to give Objective 1 status – reserved for the EC's most backward regions – to Merseyside and the Scottish Highlands and Islands, as well as Northern Ireland.

Under Objective 1, up to 75 per cent of a particular project can be financed by the EC with the remainder sponsored locally.

Northern Ireland was granted £550m under objective 1 in 1989-93. Over the next six years it will be entitled to a further £1bn, while Merseyside and the Highlands and Islands will be entitled to receive £1bn and £300m respectively over the same period.

Downing Street also welcomed Brussels' decision to make cross-maritime as well as cross-border projects eligible for EC aid. The decision could help joint UK-Irish projects, it suggested.

Rethink urged for role of G7

A call for a radical rethink of the role and institutional status of the G7 industrial nations was yesterday by Mr John Smith, leader of the opposition Labour party.

Speaking on the eve of the Tokyo summit Mr Smith said that the G7 had degenerated into an "over-hyped photo-opportunity", losing in the process its ambition to be a serious point of international decision-making.

Citing its failure over four consecutive years to give a substantive impetus to the Uruguay round of world trade talks, Mr Smith said that its failure to follow up publicly-stated agreements had weakened the group's authority.

G7 should review its membership criteria and its relationship with United Nations-related agencies such as the International Monetary Fund and World Bank.

Mr Smith said members should consider "folding" the G7 into an economic equivalent of the UN security council, with a slightly larger membership which would not be drawn exclusively from the industrialised world. Such a move could enhance the credibility of international policy co-ordination while satisfying Japan's desire for greater participation in decision-making by the UN.

Exchange to review rules on disclosure

By Norma Cohen, Investments Correspondent

THE LONDON Stock Exchange is to review its guidelines on disclosure of company information by directors to comply with new rules on insider dealing and following complaints about the selective leaking of price-sensitive information.

The review, agreed at a meeting last Friday, is is expected to urge changes to the Exchange's Guide for Directors and a draft report is scheduled for early September.

The review was prompted partly by the 100 Group of Finance Directors representing Britain's largest companies, the Association of British Insurers, a shareholder body and the Institutional Fund Managers Association, a trade association.

Issues which require resolution include guidelines on what constitutes material information and whether there should be regular reporting of corporate conditions outside of the biannual earnings statements.

Shareholders are also anxious to publicise rules which require companies to immediately disclose market sensitive information, such as a profits warning, to the entire market immediately.

Lloyd's business plan challenged by rebel Names

By Gillian Tett

LLOYD'S of London faced a fresh challenge yesterday after members voted at an extraordinary meeting to ballot Names on a radical overhaul of a new business plan for the international insurance market.

The resolution, drawn up by rebel Names – wealthy individuals whose capital underwrites the insurance market – demands that the business be plan should be backed by two thirds of the Names before it is implemented.

The plan unveiled two months ago, involves cutting costs and agency fees and opening the insurance market to corporate Names in a bid to attract fresh capital.

A second resolution, proposed by Mr Claud Gurney, leader of the rebel faction, calls for the leadership to accept a duty of care motion – if successful this could enable Names to sue their agents and the Lloyd's leadership for alleged mismanagement.

Meanwhile, the Association of Lloyd's Members (ALM), which supports the current leadership, yesterday submitted a separate resolution urging Names to back the business plan. The 31,000 Names will now vote on the resolutions by a postal ballot, only the second in Lloyd's 300-year-old history.

The results of the ballot are expected in mid August.

Mr Gurney insists the rebel Names would support the *introduction of corporate capital if it* was accompanied byschemes to help distressed Names, some of whom are facing ruin as a result of the record losses unveiled in the last three years.

the rebel factions are also demanding the resignation of Mr Steven Merrett, the market's deputy chairman, and the adoption of an alternative business plan drawn up by Mr David Springbett, a founder of the reinsurance broker PWS.

But Mr Neil Shaw, chairman of the ALM, yesterday insisted that the rebel Names' resolutions were impractical and called on the Names to support the leadership.

"We have a business plan and we have people prepared to implement it," he said. "But time is short. This is not the time to begin seeking to change the Lloyd's Act nor is it time for time-wasting at AGM's – there is work to be done."

Britain in brief

Production at Jaguar rises by 46%

Car output by Jaguar, Ford's luxury cars subsidiary, jumped by 46 per cent in the first half of this year – compared with the same period of 1992 – as recovery continued in some of its main markets.

The increase, to 14,970 cars from 10,227 cars, also reflects extensive lay-offs and short-time working in 1992 as the worst effects of recession were felt at Jaguar's Birmingham plants. So far this year the US market output, the single most important to Jaguar, has risen by 20 per cent, with UK output up 10 per cent.

Audit review over PPI

Coopers & Lybrand, the accountancy firm, is to be subjected to an independent review of its internal systems following a breach of ethical rules in connection with the administration of Polly Peck International.

The review represents a substantial climb-down in disciplinary action initially proposed by the accountancy profession against two Coopers partners, Mr Richard Stone and Mr Michael Jordan.

The Institute of Chartered Accountants said it would be testing Coopers systems to ensure they are able to detect potential conflicts of interest before acceptance of insolvency appointments.

Tax boost for multi-nationals

Changes to the system of advance corporation tax (ACT) proposed in the March budget will make Britain a more attractive location for overseas multi-national companies to locate their European headquarters, according to the City Research Project, which is studying London's competitive position in international financial services.

ACT is essentially as an advance payment against a company's corporation tax liability.

Under its terms, companies pay shareholders a net dividend and send a sum to the Inland Revenue, which is regarded as meeting the tax liability of investors. The budget proposed a system of "foreign income dividends" under which dividends paid out of non-UK income would not be liable to ACT.

The CRP said that before the budget a number of overseas financial services companies in the UK had been considering relocating to other countries.

ABC supports TV reforms

The BBC director general Mr John Birt has been advised by the Australian Broadcasting Corporation to persevere with Producer Choice.

Mr David Hill, managing director of the ABC, told Mr Birt a similar scheme at his broadcasting organisation had been " a dramatic and remarkable success." Producer Choice gives producers the right to buy in services from the outside market.

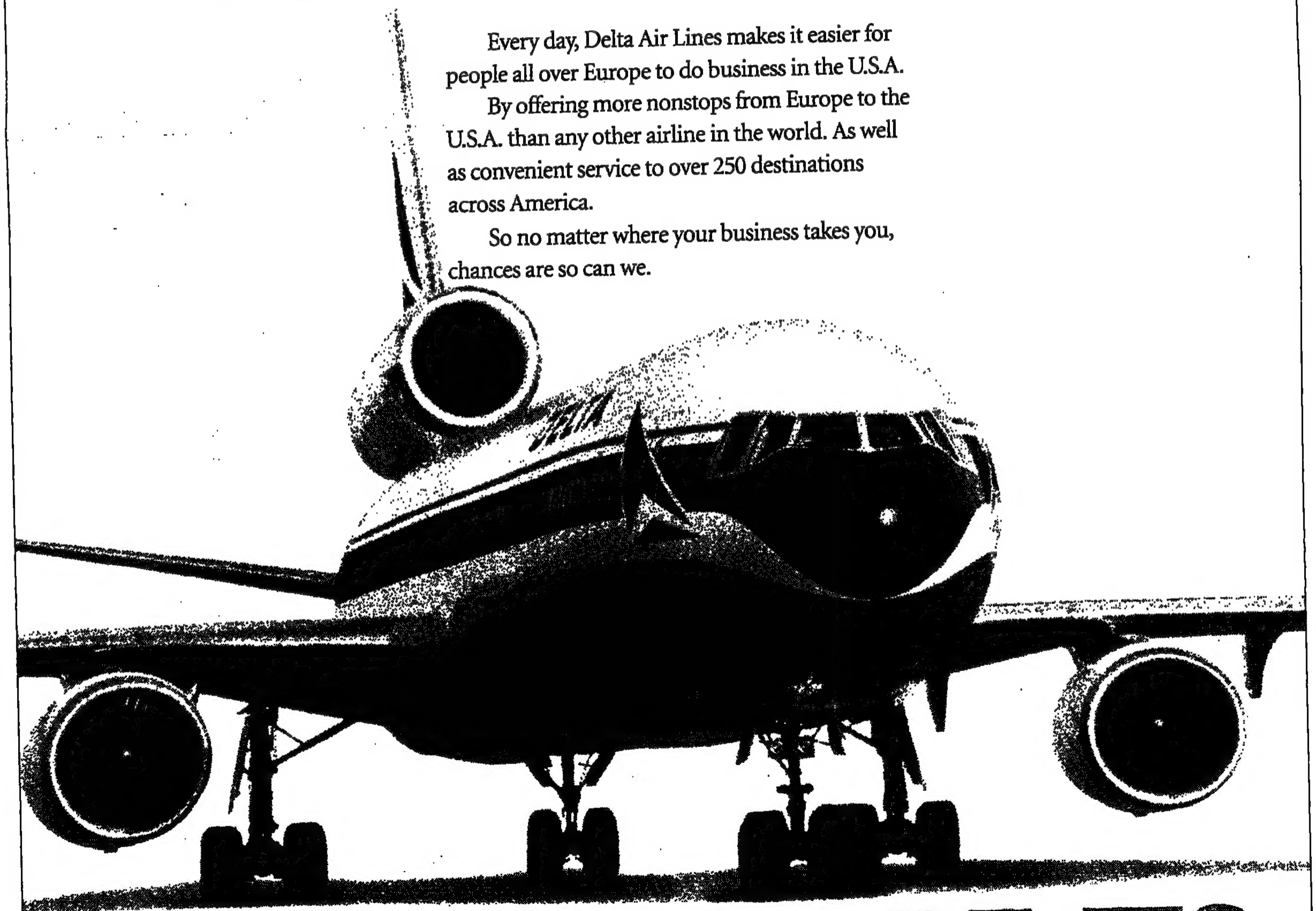
UK farmers still cautious

Farmers still have some way to go before confidence returns to the hard-pressed UK agricultural sector, in spite of a limited upturn in the past year, the National Farmer's Union said yesterday.

"In some quarters there is more confidence than before, but we would still be cautious about it," an NFU official said. He pointed out that last year's devaluation of the green pound – the EC farming currency – had given UK farmer's a badly-needed breathing space, but few would be using that as a basis for long-term investment decisions.

Cricket test

The England cricket team yesterday took control of the third test at Trent Bridge, scoring 362 for 6 in their second innings.



Strategy outlined for blitz on defence costs

The government has tried to portray defence cuts as a response to a changed world and play down the impression of bowing to purely economic pressures. **David White** reports on the details

THIS YEAR'S defence policy document contains a series of cuts beyond Options for Change, the 1990 plan which reduced the armed forces by more than 20 per cent.

It contrasts sharply with previous years, when the annual Statement on the Defence Estimates has been little more than a recapitulation.

Following public expenditure cuts in November, the Ministry of Defence (MoD) lost £1.05bn from its spending plans for this financial year and 1994-95.

Even it manages to defend itself against further Treasury pressure – which is by no means certain – defence spending is set to drop from 3.9 per cent of Britain's gross domestic product to 3.2 per cent in two years, the lowest level since the Second World War.

Two guided-weapon projects have been abandoned:

● An air defence system to replace the Bloodhound missile, withdrawn because of old age in 1991. British Aerospace was bidding for the £500m-plus contract jointly with Raytheon, makers of the Patriot missile. GEC and Siemens Plessey were also bidding in separate partnerships with foreign companies. The MoD says there is "no near-term requirement", leaving open the possibility of a more advanced anti-missile system later.

● Guided anti-tank munitions for multiple rocket launchers. After spending £100m, Britain has joined Germany and the US in withdrawing from this project, leaving only France.

Other cuts in existing equipment are due to the reduced direct threat to the UK and to Atlantic shipping routes:

● The frigate and destroyer fleet. In the 1980s, the number was firmly set at "about 50". It is now 39 and due to be reduced to "about 35". But more of the latest Type 23 frigates will still be built.

Defence spending is set to drop from 3.9% of GDP to 3.2%, the lowest level since the Second World War

● Diesel-electric submarines. Four new Upholder class vessels, built at a cost of about £900m, the last one commissioned just 10 days ago, are to be sold, leased or mothballed.

● Older minesweepers will be paid off, leaving a smaller fleet, although with more new Sandown class minehunters.

● The RAF, after losing 14 aircraft squadrons under Options for Change, will lose a further squadron of Tornado F3 air-defence fighters.

● One of the RAF's Awacs seven radar aircraft will be put in reserve.

On the other hand, unspecified extra funds have been set aside to provide the RAF with its long-promised troop-carrying helicopters, something the MoD says it is "urgently considering". Plans for a new helicopter carrier, once thought to have been axed, were already confirmed in May.

The changes form part of a long line of adjustments since the Second World War, made necessary by a mismatch between the role Britain has sought to play in the world and its means for fulfilling it. By setting out in detail the tasks allotted to Britain's forces and the resources earmarked for them, the white paper is a defence against arbitrary financial cuts and against parliamentary critics who argue that cuts have gone too far.

More cuts are to come. RAF and navy personnel are due to fall below the 70,000 and 52,500 levels set out in the white paper, already reduced since Options for Change.

A new air-launched nuclear missile, costing up to £3bn and under discussion with France and the US since 1988, is virtually certain to be cancelled. A verdict is still awaited on whether the army will get more Challenger 2 tanks, or updated Challenger 1s. Also undecided is the extent of plans for upgrading Tornado bombers. The MoD's suppliers still do not have all the answers they have been waiting for.

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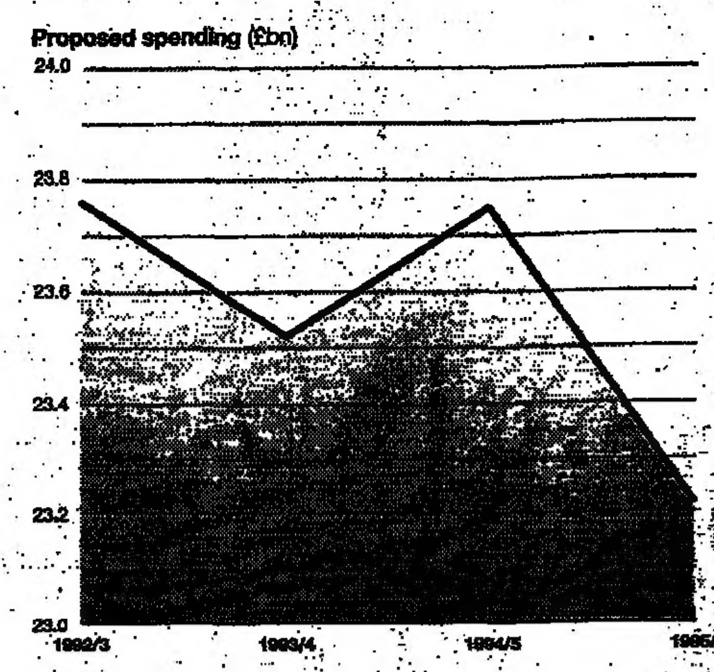
Defence expenditure



How the main forces could line up

	Actual level 1990	Options for Change	Current plan
Royal Navy			
Nuclear-powered submarines	14	12	12
Conventionally-powered submarines	10	4	0*
Destroyers/frigates	44	*About* 40	*About* 35
Mine warfare	38	34	25**
Army			
Infantry battalions	55	38+	40+
Royal Air Force			
Tornado F3	92	122	106
Hawk•	72	52	50
E-3 Sentry (Awacs)	0••	7	6
Transport & tanker aircraft	94	93	90

* Future of Upholder under consideration
** MCMV number will fall below this figure for a period following the pay-off or redeployment of Ton & River Class minesweepers & until new vessels come into service
+ After withdrawal from Hong Kong in 1997
• Aircraft in Air Defence role only
•• Successor to Shackleton in early warning role

Graphic: Chris Walker

Defence contractors are 'reasonably relieved'

DEFENCE contractors cautiously welcomed the details of cuts and procurement plans in yesterday's white paper.

Few contracts were cancelled, and the reduction in the numbers of conventionally powered submarines and Tornado fighter aircraft should be achieved through the decommissioning or sale of existing equipment.

Mr Brian Lowe, chairman of the Defence Manufacturers' Association, said "the industry could be reasonable relieved that most of the cuts are lost opportunities to refurbish rather than cancelled orders".

Among those hearing bad news were GEC and British Aerospace, competing for one of the two cancelled missile contracts, the £500m plus medium range surface to air missile (MSAM) to replace the Bloodhound missile.

Both companies shrugged off the news: "We've known for some time this was likely to happen," said BAe, which was bidding with Raytheon of the US.

GEC, which had joined forces with Thomson and Aerospatiale of France and Italy's Alenia, would have contributed only about 10 per cent of the contract with it radar seeking equipment, but it has lost its chance to become a prime contractor to the UK in the project.

GEC and BAe said the cancellations were unlikely to lead to job cuts. They are working in international consortia which are selling their missiles to several markets other than the UK.

Thorn EMI may lose 200 jobs as a result of the MoD's withdrawal from a four-nation collaborative programme to develop a ground-launched Multiple Launch Rocket System (MLRS). The company is hanging on to the slim hope it may be involved in the supply of an air-launched version.

At the other end of the scale, Southampton shipbuilder Vosper Thornycroft could receive orders for new minehunting ships worth up to £350m as a result of plans in the white paper to "build up a fleet of 25 mine countermeasure vessels".

Helicopter-maker Westland said that it was "good news" that the White Paper specified a need for additional support helicopters.

The company's EH101 helicopter is a strong candidate for the business.

Daniel Green

TECHNOLOGY

R&D

THE conventional wisdom 30 years ago was that researchers worked best in peaceful isolation. Many UK companies tried to give them peace and quiet by converting country houses in idyllic landscapes into laboratories.

In the 1990s, however, isolation is out and interaction is in. According to today's ideas, the perfect setting for a corporate laboratory is a university science park, where researchers can collaborate easily with fellow scientists.

Most companies stay put in their existing country house laboratories, however, imagining that a move would be prohibitively expensive and disruptive. The exception is Smith & Nephew, the healthcare group, which has just transferred its research centre from Gilston Park, an early Victorian mansion in rural Essex, to a new building on York Science Park.

S&N did, of course, incur substantial direct costs – at least £2.5m for moving all its staff and equipment to York plus £5.5m for fitting out the research centre. (The 83,000 sq ft building was put up by York Science Park, a joint venture between the university and P&O Developments, and rented as a shell to S&N.)

The indirect costs of disrupted projects and distracted staff are not known. "We have different views on how much dislocation there has been but I would say it amounted to six months of research on average," says Alan Suggett, R&D director.

"We took some of our best scientists to be [relocation] project co-ordinators – which they did very well – but we underestimated the amount of time involved. If we did it again, I would probably have used more external consultants, so as to preserve our research programme."

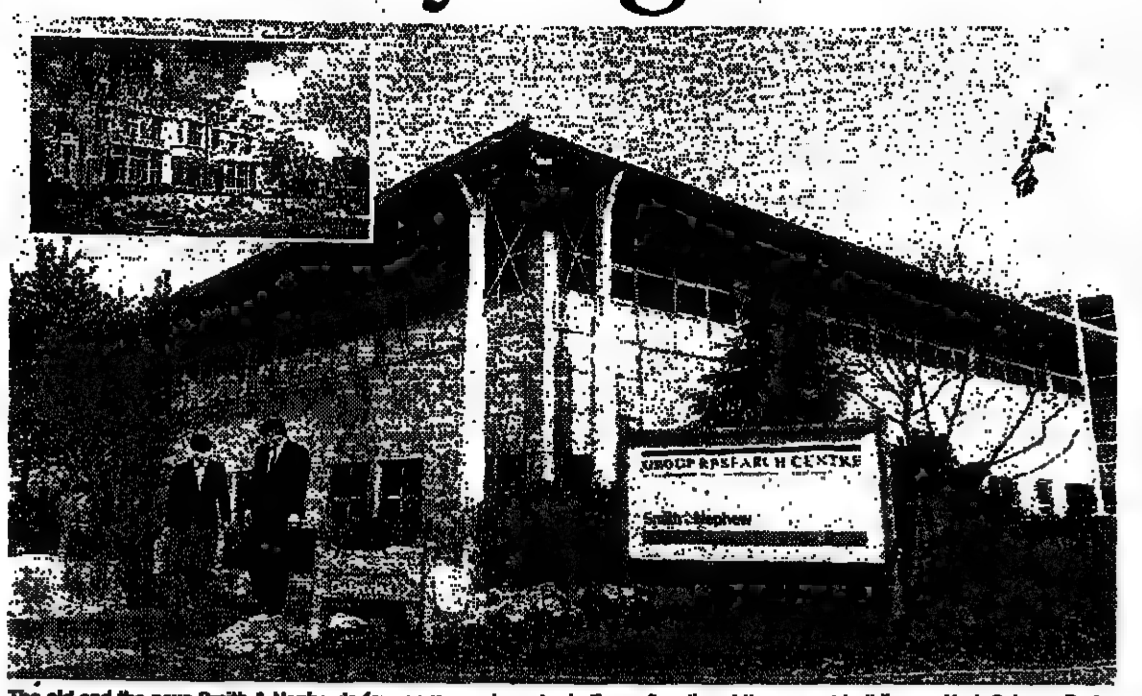
The total costs of the move, then, can be put at a minimum of £10m, or twice the annual budget of the group research centre. (S&N spent a total of £25m on R&D last year – £5m centrally and the remainder by its operating businesses.)

But John Robinson, chief executive, says the benefits far outweigh the costs. "This was not just about moving to a building designed for the next century rather than the last. It is about creating a new research culture."

The reasons for leaving Gilston Park included: poor communications; out-of-date facilities that could not be improved easily because of planning constraints; security problems on the country house estate; and, above all, the difficulty of recruiting and retaining good staff.

Smith & Nephew defied convention by relocating R&D from country home to science park, says Clive Cookson

Lure of the city lights



The old and the new: Smith & Nephew's former research centre in Essex (inset) and the current building on York Science Park

The attractions of York are: the university's highly rated research, which is not exploited by other science-based companies; the city's excellent international image; and proximity to S&N's main UK manufacturing base in Hull.

At the same time, S&N took advantage of the move both to refocus research more closely on its fast-growing core businesses and to introduce a new management structure.

The refocusing involves running down research in consumer products (such as the well-known Elastoplast brand in the UK) and in pharmaceuticals – an activity in which S&N cannot hope to compete with the large drug companies. The funds are being redirected to five strategic growth areas: orthopaedic implants; wound management products (such as hospital dressings and gels); minimally invasive surgery; casting and bandaging; and surgeons' gloves.

In place of the previous management hierarchy, the new research centre has a flat "matrix" structure. Line managers are responsible for departments such as chemical and biological sciences, while programme managers handle specific projects like wound management research. "We've also introduced a 'scientific ladder' which enables senior scientists to have equal status to managers, in terms of benefits and so on," says Gareth Lloyd-Jones, research director.

'This was not just about moving to a building designed for the next century. It is about creating a new research culture'

Strategic control of R&D rests with a Research Steering Group chaired by the chief executive, which meets twice a year. Its members include Suggett, Lloyd-Jones and the heads of the operating businesses. Outside input comes from a Scientific Advisory Panel of five university researchers chaired by Nancy Lane, a Cambridge University biologist who is a non-executive director of S&N. It also meets twice a year, to provide an independent review of the corporate research programme. "We act as an auditing body, giving the company feedback on the areas where it is weak and on the strengths that it can build on," she says.

One scientist familiar with S&N research says: "They have some catching up to do; they're still a bit sleepy Essex villagey." But Lane thinks that comment is unfair: "The work is good now and will become excellent in the new laboratory."

The building in York was designed to be as flexible as possible, in contrast to Gilston Park. "We decided to make the labs interchangeable, so that we could change the research programme overnight if we had to," says Suggett.

The main laboratories are arranged on two floors, on both sides of a wide central aisle – the "write-up area" where the scientists have their desks and can sit with colleagues to gossip or discuss work. There is a separate product development lab where engineers build pilot manufacturing lines.

S&N employed 220 people at Gilston Park and has 180 working at York; the job cuts were among support services such as maintenance, security and cleaning. About 90 people made the move from Essex last autumn – only 18 months after the relocation was announced – "and fortunately these included almost all of our key professional staff," Suggett says. That left another 90 to be recruited locally, mainly technicians and secretarial staff.

"What we were asking people to do was, in effect, to make a personal commitment to Smith & Nephew for the next few years," he adds. Although family commitments prevented some people moving, others took the opportunity to leave S&N because they had been uncertain about their long-term future with the company.

Jack Fennimore, the S&N chief technologist who managed the relocation project, says external advisers had predicted that only 50 to 60 would agree to move. Robinson had said he would be happy if 80 moved.

Lane, who also chairs the UK government committee on women in science, was particularly pleased that S&N lost very few of its female researchers. Several of them persuaded their partners to move with them to York.

Interaction between S&N and the university – a prime reason for the company's move – is already getting under way, says Tony Robards, professor of applied biology. Informal early exchanges between the academic and corporate labs are leading to more formal arrangements, such as sharing of expensive equipment and placements of S&N staff to train with academic specialists. Joint research projects under the government's Link and Teaching Company schemes are also in prospect.

Will other companies follow S&N's example? One candidate might be Johnson Matthey, the UK metals group, which has a similar-sized research centre based at Blount's Court, a country house in rural Oxfordshire. "We have talked about moving many times; the subject comes up every two years or so but we just don't think it's worth the cost and effort," says George McGuire, Johnson Matthey research director. "We like it here."

But Robinson is convinced that for S&N the move was worth the effort. "It has given a new excitement about R&D to the whole group worldwide."

Technically Speaking

Disillusioned with computers

By Torgun Cane

"ASPIRING young writers get tired of running out of pads and ball-points. So perhaps it was a good idea of my father's to let me use the Amstrad notebook computer which he had recently acquired. Then again, perhaps it wasn't.

The computer, the NC100, is amazingly simple to understand and very light. It is perfect for times when you don't want to have to sit at your desk to write. There are no hassles saving files and storing them; everything is saved automatically. It can go pretty much everywhere with you.

Initially, it seemed perfect. But problems – of the type which can affect any potential computer purchaser wanting a machine which combines low cost with ease of operation and some flexibility – soon occurred. The Amstrad (costing nearly £200) has a limited amount of storage – only enough for eight or so files ranging from one to three pages. For more space, you have to buy plug-in cards costing at least £40, too expensive for a 15-year-old student in the middle of her GCSE years.

The other options are printing out every document or decanting them on to another computer with a larger memory.

Both of these options have their difficulties. First, printing all your work out is useless, because the idea of using a computer is to have all your work in storage.

Second, decanting files can be a problem. Where do you get another computer from? If it is your father's computer, what do you do if you need to see a file instantly and he is not around.

It was around a month after I started using the Amstrad that I ran into serious problems. The computer went blank – pointlessly, infuriatingly blank. What had happened? This remains a mystery. After a few days of carefully checking it, shaking it and, eventually, screaming wildly at it, my father and I decided to send it back to Amstrad to be fixed, all the time praying that the files I had worked on for more than a month would be safe.

They were not. The computer was sent back to us fully working but fully wiped of all my work.

It was a long time before I could face using it again and when I did everything seemed fine. Although I had lost all my files and had no record of them, I built my work up again, slowly and painstakingly.

And then disaster struck again. I wrote a short piece – only two paragraphs, in fact. I put in a final full stop . . . and it started to beep . . . beep . . . beep. I got worried. Again, I sought advice but the instruction book did not mention high-pitched beeping. The only way to solve this seemed to be to remove the batteries. This we did . . . and all my files were rubbed. Again.

I never want to see this computer again. My father understands this and introduced me to the Olivetti Quaderno. The Quaderno (£585) is beautiful, much more attractive than the Amstrad. It has a larger memory, too, but it also takes memory cards – the same expensive memory cards. (These cost between £40 for 64K bytes, or 20 pages of text, and £150 for one megabyte, or 320 pages.)

The Quaderno has more functions. These include a tape recorder (for when you have sudden brain waves and don't have time to type them out), a calculator, address book and organiser. It takes longer to understand and it has a much smaller keyboard which is harder to type on.

With the Amstrad, I lost in total over six months' work and I have given up on the Quaderno, because school work means I do not have time to learn to use it properly. I'm sure that with a little time and patience it would be good . . . but not for someone who just wants to write rather than learn about computers.

As for me, I'm going to have to spend a large amount of money on ball-points and pads. At least they do not take ages to learn to use or break down when you least want them to.

Torgun is the daughter of Alan Cane, who covers the computer industry for the FT.

MANAGEMENT: THE GROWING BUSINESS

Visiting time for TECs

Britain's Training and Enterprise Councils (TECs) should drop across-the-board schemes of business support and concentrate on business sectors where growth prospects are best. They must also become more active in visiting small business owners at their premises instead of waiting for them to contact the TEC. These are the two main recommendations to emerge from a study* of the TECs by Kingston University.

A nationwide network of TECs was set up in 1990-91 to provide training and support for small businesses locally. But a number of surveys have shown that TECs are failing to reach many of the small businesses in their areas. Some businesses confuse the title with "tech", for technical college, while many TECs cover large geographical areas with a mix of different local economies and communities.

Business representatives on TEC boards are drawn mainly from large companies; many owners of small businesses cannot devote the time required.

A further problem is that TECs inherited many "pre-packaged" government support schemes such as the enterprise allowance scheme and business growth training, which are seen as irrelevant by many businesses. Most TECs subcontract the actual provision of services to organisations such as enterprise agencies and management consultants. "The problem here is that neither has proved popular with small business owners in the past," says the study.

Closer links might be established with industry training organisations and trade associations, the study suggests. Visiting companies is expensive and time consuming but the best way of reaching small firms, it notes.

CB

**TECs and Small Firms. Can TECs Reach the Small Firms Other Strategies Have Failed to Reach? Small Business Research Centre, Kingston University, Kingston Hill, Surrey KT2 7LB. Tel 081 547 7218. 18 pages. £5.*

Return to tender

Charles Batchelor on new legislation which should make it easier to secure EC public-sector contracts

Envopak Group, a manufacturer of reusable mail pouches and mail room equipment, has had mixed experience of selling to public authorities in continental Europe.

"We have had fewer successes than failures," admits Ric Skoulding, international director of the Sidcup, Kent-based company. Even for a business which has been exporting for nearly 30 years and which achieves a quarter of its £15m turnover overseas, the tendering process for public-sector contracts is fraught with difficulties.

"You only have to fail on one point and you are out," says Skoulding. Undeterred by these problems, Envopak has been honing its techniques. "We have been building up a fund of information and we will be ready for the next one."

One lesson Envopak has learned is the importance of having a good local source of information, in the shape of a distributor or agent, on forthcoming tenders so as to be able to respond in time. A recent invitation to supply mail sacks to the German Post Office did not leave enough time to research the materials and produce samples.

It is to overcome at least some of the problems associated with winning foreign tenders that a raft of new European Community legislation has been introduced over the past five years. No fewer than six directives have been passed to open up public procurement markets.

The aim is to extend the workings of the single market to the public sector by preventing governments, local authorities and the water, transport and power companies from discriminating against foreign suppliers. The often secretive tendering process is being opened up and buyers are being forced to apply objective criteria in choosing suppliers.

The often secretive tendering process is being opened up and buyers are being forced to apply objective criteria

"One of the purposes of the directives is to sever the link between the politicians and the buying decision," comments Jeremy Miles, chairman of Quasar Microwave Technology, which exports 60 per cent of its £3m turnover.

Previous attempts to open up the public procurement market, which accounts for no less than 15 per cent of the European Community's domestic product, achieved only limited success because the rules for enforcement were inadequate.

The latest legislation is backed by tougher compliance directives and, while most companies are reluctant to go to court against potential customers, lawyers report an increase in litigation in this area.

The latest directive, covering public services, took effect in the UK as recently as last week, on July 1. UK legislation covering public works, supplies and utilities, both publicly and privately-owned, was introduced earlier while an extension of the utilities directive, to cover services as well as works and supplies, is due to take effect in July 1994.

Key to the new regime is the requirement that public authorities publish the details of their contracts. This they are obliged to do in the S series of the EC's Official Journal, available on subscription. The information is also available through an EC electronic database, Tenders Electronic Daily, which classifies contract notices by product and industry.

The publication of tender information occurs at three stages in the life of a contract. Periodic indicative notices (PINs) provide advance warning of forthcoming tenders. These are followed by details of individual contracts. Finally, an announcement that a contract has been awarded must be made within 48 days.

Under the new directives public authorities must provide enough information for all potential bidders to take part and must not use, for example, trademarks which would exclude some suppliers. Technical specifications must not be used to exclude bidders and if a European standard exists it must be used.

Progress towards this goal is still only partial, reports Ian Anderson, general sales manager of Houseman, a supplier of water treatment systems. Some contracts still specify membership of a national professional body or certification by a particular organisation, he says.

To avoid imposing an impossible burden on public authorities the EC has set minimum thresholds for contracts which must be publicised. Works contracts valued at less than Ecu5m (£3.5m) need not be notified.

James Whitehouse of Independent Facility Management: 'We have concentrated on getting our name in front of as many government departments as possible'

A threshold of Ecu 200,000 applies to supplies contracts unless they are awarded by a utility, in which case the threshold is Ecu 400,000 (Ecu 600,000 for telecommunications contracts). For services contracts a minimum of Ecu 200,000 applies.

The temptation for public authorities and utilities would be to break up contracts to keep them below the thresholds, though EC lawmakers have attempted to prevent this.

Repair work on different parts of the same building would probably have to be aggregated into a single contract but a contract to repair buildings spread over different faculties of a university campus might be considered separate contracts.

"The authority must make a sensible decision based on whether the works are close enough together in place or time or if they would all be handled by one main contractor," Mark Lane, a partner of solicitors Masons, told a conference arranged by ICM Marketing last week.

Public authorities must also decide on which of the three possible procedures they will follow. They have a choice of the open procedure, whereby all interested contractors or suppliers may submit a tender; the restricted procedure, when only invited suppliers may tender; and the negotiated procedure, whereby the authority consults suppliers of its choice and negotiates the terms of the contract with one or more of them.

If the purchaser is a utility it has greater freedom in its choice of procedure providing it has published a contract notice, a PIN or details of any pre-qualification system it operates. This is an area where the European Commission's desire for more open public procurement clashes with the wish on the part of many utilities to develop closer links with chosen suppliers, sometimes known as "partnership sourcing" agreements.

Utilities are allowed to operate qualification systems for would-be contractors or suppliers, providing they are based on objective criteria.

Once the purchaser has assessed all the bids it must then award the contract either on the basis of the lowest price or "the most economically advantageous" tender. This allows the public authority or utility to take into account more subjective factors but the criteria used must be published, where possible in descending order of importance, Lane suggests. Abnormally low bids may not be rejected without the purchaser having first found out why the bid was so low.

Even after these legislative changes, tendering for cross-border public-sector contracts can be a daunting process.

Independent Facility Management, a Berkshire-based company which provides building consultancy and management services, first looked at the European contracts market in earnest in February and now subscribes to the Official Journal.

But the company, which employs 29 people and has fee income of £1.4m, has focused its efforts on breaking into the UK public contracts market. "We have concentrated on getting our name in front of as many government departments as possible," says James Whitehouse, sales director.

"We would tender for an overseas contract if one came up but would then face the language problem and the cost of attending interviews in continental Europe. It would be a poor use of our resources to tackle Europe when we have yet to develop our home market."

It may well make sense for companies new to public-sector markets to start at home. But in the longer term, if the EC's initiative is successful, a very large European market place will be opened up.

The Official Journal can be ordered from government publishing organisations such as HMSO in the UK or consulted at Euro Info Centres and chambers of commerce. For information on TED contact these organisations or EC Host Organisation, BP 2373, L-1023 Luxembourg, Tel +352 488 041.

In a Nutshell

DTI consolidates enterprise funding

The Department of Trade and Industry will no longer provide financial backing to help companies implement recommendations from consultants employed under the Enterprise Initiative.

The aim is to save the £3m-£4m annual cost of implementation guidance and devote it to subsidising the enterprise initiative proper.

The enterprise initiative provides half of the cost – two-thirds in some parts of the country – of up to 15 days of consultants' advice in areas such as marketing, quality and financial management. Implementation guidance consists of a discretionary extra five days of subsidy.

ABC of business plan writing

Many small and medium-sized businesses rely on the founder's instincts rather than formal planning. Practical Business Planning, a booklet* by accountants KPMG Peat Marwick, provides an introduction to a subject overlooked by many business owners.

Aimed mainly at the medium-sized company seeking outside funds, it is also of relevance to smaller businesses and start-ups.

Written business plans must be interesting to read and the main text should be no longer than 20 pages, the authors suggest. If the plan is intended for outsiders it must take account of their needs.

Obey the ABC rule – for accuracy, brevity and clarity – and avoid jargon. Well designed graphs, charts and tables can replace large amounts of text. Avoid unusual type-faces and page lay-outs.

**From Sarah Bemrose, KPMG, 1 Puddle Dock, Blackfriars, London EC4V 3PD. Tel. 071 236 8000. 32 pages. Free.*

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For further information contact the Joint Administrative Receiver, Howard Evans, KPMG Peat Marwick, 37 Hills Road, Cambridge CB2 1XL. Tel: 0223 66692. Fax: 0223 460701.

KPMG Corporate Recovery

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For further information please contact:-

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BUSINESS AND THE LAW

Japanese car decision annulled

EUROPEAN COURT

The European Court of First Instance last week annulled a decision of the European Commission *not to pursue* five complaints relating to the sale of Japanese cars in France. The Court said, in making its decision, the Commission had committed legal errors in its appreciation of EC competition rules.

In the 1980s certain Japanese car importers had agreed with the French government to limit their sales in France to 3 per cent of the French market and 15 per cent of the Martinique market. In exchange for this voluntary restraint, the French agreed the importers should have exclusive access to these quotas. Complaints were lodged by five other importers, alleging the agreement was in breach of EC competition rules.

Six years after the first complaint was lodged, the Commission said it would not pursue the complaints because the agreement was an integral part of French policy on the importation of Japanese cars. The Commission added that the importers had had no margin for manoeuvre at the time they entered into the agreement, and that the application of EC competition rules would not give the complainants a remedy in the sense of access to the quota of imported Japanese cars.

The Court said that, in cases such as this where the Commission had a power of appraisal, that power had to be exercised with the greatest respect for procedural guarantees, such as the obligation to examine with care and impartiality the particular elements of the relevant case.

The Court said that documentary evidence showed that the importers covered by the agreement had agreed among themselves to divide up the quota. The Commission had seen that documentary evidence before it reached its decision not to pursue the complaints. The agreement to divide the quotas was an agreement which fell within the scope of Rome treaty competition rules.

The Court said there was no evidence the partition of the market had been forced on the importers by the French as the Commission had said. The Commission had committed an error of appraisal in concluding the importers had no margin of manoeuvre with regard to the agreement.

It also ruled that it was the agreement to partition the market, rather than the specific national rules, which was responsible for the lack of access to the market. Applying EC competition rules to the agreement could well have given the complainants access to the market.

T-7/92: SA Asia Motor France and others v Commission, CFI 2CH, June 29 1993.

Interim measures refused in banana case

An application from Germany for interim measures to exclude it temporarily from the new common organisation in the market for bananas was refused by the European Court last week.

Germany argued that, by setting quotas for bananas from dollar countries while allowing duty-free access to the Community for bananas from African, Caribbean and Pacific (ACP) countries, the rules of the common organisation were unlawful. Germany said they breached EC competition and agriculture rules, the principle of non-discrimination and the Gatt rules.

The Court said these arguments were not completely unjustified.

Germany also argued it should be excluded from the rules, as otherwise it would suffer irreparable harm: as the volume of bananas dropped, the price would rise. This would have a significant effect not only on individual consumers but also on people and firms connected with the banana trade.

The Court said that, in the event that the quota proved insufficient for Germany's needs, there were provisions in the common organisation to remedy such a problem. Given this, and arguments put on behalf of France, Spain, Portugal and the UK that the exemption of Germany from the regime would lead to intolerable consequences for the ACP producer countries which could lead to social unrest, the Court ruled that Germany's application should be refused.

C-280/93: Germany v Council, ECJ FC, June 29 1993.

BRICK COURT CHAMBERS, BRUSSELS

Way out of the time warp

Robert Rice on recommendations for a new approach to litigation

On the eve of publication of the report of the Royal Commission on Criminal Justice, set up two years ago after a damaging series of miscarriages of justice, the Bar and the Law Society have produced a damning indictment of the civil justice system.

The verdict of a joint committee of barristers and solicitors, led by Ms Hilary Heilbron QC and Mr Henry Hodge of London solicitors Hodge Jones & Allen, is that civil justice in England is trapped in a Dickensian time warp. Victorian court buildings remain unmodernised. The use of new technology is negligible – virtually all court documents and records are compiled manually. Court procedures are technical, inflexible, riddled with rules and often incomprehensible to litigants. The language of the law is wordy, archaic and littered with unintelligible and largely irrelevant jargon. Delay is widespread, leading to ever increasing costs, and frustrating the efficient conduct of commerce and industry.

This verdict is all the more worrying as it comes just two years after the implementation of the government's reforms to speed up and improve the efficiency of civil justice by streamlining the jurisdiction of the High Court and county courts.

Companies involved in litigation find it a protracted, cumbersome and increasingly expensive exercise. The cost of a two-year commercial dispute culminating in a one or two-month trial can run into millions of pounds. Yet litigation is on the increase. The Centre for Interfirm Comparison, an independent research group, says that on average London law firms reported a 25 per cent growth in litigation in 1992, on top of an average 43 per cent rise in 1991.

Given this unpalatable fact, few businesses will be happy to learn from the Heilbron/Hodge report that much blame for the expense of resolving commercial disputes lies with the civil justice system.

They will therefore welcome the report's conclusion that there is an urgent need for "a radical reappraisal of the approach to litigation" in England and "for many of the deeply ingrained traditions to be swept away and replaced by pragmatic and modern attitudes and ideas".

The report makes a number of suggestions for change in the civil justice system: restructuring the High Court, widespread introduction of new technology, the creation of more specialised courts such as the commercial court, and simplified procedures and court documents, expressed in plain English.

But by far the most significant suggestion for achieving this shift in approach is the recommendation that the government should establish a pilot scheme for Alternative Dispute Resolution in one or two civil court centres.

Verdict on the High Court: England's civil justice system is Dickensian

ADR has its origins in the far east, where it has been used for more than 30 years, and in the US. The Heilbron/Hodge report estimates that about 10 per cent of cases in the US are now resolved by ADR. About one-third of American states now have comprehensive plans for court-based ADR and there are approximately 1,200 ADR schemes receiving referrals from state courts.

Some US schemes indicate a settlement rate as high as 60 per cent, and a substantial number of courts have introduced rules requiring lawyers to inform their clients of available ADR processes early in the litigation process.

ADR takes various forms: mediation, conciliation or mini-trial. But common to all these forms is the fact that they are non-binding: if ADR does not work, or resolution proves impossible, the parties are still free to litigate.

In the UK, where ADR commonly takes the form of mediation, companies have slowly begun to embrace the concept. Since the Centre for Dispute Resolution (CEDR), an industry-backed, non-profit-making organisation, was set up in 1990 to promote the use of ADR in the UK, almost 250 disputes involving more than £800m have been referred to it. Of these, 25 per cent went on to complete formal ADR processes. The centre estimates that more than £30m in potential legal costs has been saved – and considerably more than that, if the saving in management time is included.

But, despite these signs, and support from industry and consumer groups such as the National Consumer Council, ADR has not yet had the impact in the UK that it could have.

Dr Karl Mackie, the CEDR's director, believes that part of the reason for the slow take-up of ADR is the "traditional adversarial mindset and culture of lawyers and clients in litigation". The Heilbron/Hodge report agrees. "The legal system and those who participate in it have shown a marked reluctance to take advantage of its potential benefits," it says.

For ADR to work in the UK and produce savings for the civil justice system, it needs to be extended beyond commercial disputes to cover all civil litigation, in particular personal injury actions. This means that it will require government support, as the majority of personal injury actions are brought by legally aided plaintiffs.

Some time ago a group including the Bar, the Law Society and the CEDR proposed to the Lord Chancellor's department that a court-annexed ADR pilot scheme be run in Bristol. The proposal was not taken up – largely, it seems, because in the current economic climate the government is reluctant to increase public expenditure on legal aid by extending it to ADR processes. It is also worried about the lack of evidence that ADR could produce savings for the legal aid fund by encouraging the earlier settlement of cases.

The Heilbron/Hodge report believes the government's fears are overplayed. If ADR produces earlier settlement of a dispute than would otherwise be the case, the saving in costs can be substantial, it says. Even where ADR only succeeds in narrowing the issues at dispute, rather than achieving a settlement, costs can be saved. And if costs to the legal aid fund can be saved by ADR, then the case for extending legal aid to cover ADR processes is unanswerable.

In the end, the report says, the only way the Lord Chancellor and the Treasury will be satisfied that ADR can produce savings is to generate enough data to allow a proper evaluation. And the only way that can be achieved is by establishing a pilot scheme at one or two court centres. If the government wants long-term savings, it must expect some short-term expenditure, Ms Heilbron says.

The establishment of a successful court-annexed ADR scheme can only encourage the development of ADR in other spheres. The Commercial Court is considering the introduction of a form of court-annexed mediation that is likely to prove popular with its foreign clients. A City Disputes Panel for banking and financial services is being set up and should be in operation this year, providing both mediation and arbitration services. But, without government support, the civil justice system will continue to be denied the overall benefits and savings that ADR can bring.

LEGAL BRIEFS

Revenues fall at top US firms, survey shows

The fortunes of America's top law firms are on the wane, according to a survey of their 1992 earnings.

Four of the top 10 firms, ranked by turnover, showed a fall in gross revenues, according to the survey by The American Lawyer magazine. The four include New York's Skadden Arps Slate Meagher & Flom, which was displaced at the top of the table by Baker & McKenzie, the largest law firm in the world. Skadden's gross revenues in 1992 were $440m, down $50m on 1991, while Baker's gross revenues increased from $477m in 1991 to $503.5m in 1992.

Skadden also suffered a fall in average profits per partner, from $930,000 in 1991 to $885,000. The most profitable firms in the top 10 are Sullivan & Cromwell, with profits per partner of $1.08m on turnover of $270m, and Davis Polk & Wardwell with profits per partner of $1.02m on a turnover of $267m.

Treaty question

The European Commission has intervened in a preliminary reference from the English High Court to the European Court of Justice which raises questions about the direct applicability of the competition rules of the European Coal and Steel Community (ECSC) treaty.

The question arose in an action brought by H J Banks & Co against British Coal alleging that the state-owned coal company had charged excessively high royalties in its licensing of private coal producers to extract coal. According to Mr Stephen Kon, a partner with solicitors S J Berwin which is representing the Commission, this is the first time in 40 years that the question has arisen as to whether the ECSC treaty gives rise to individual rights in the national courts.

PEOPLE

Constructive careers

■ David Broadbent (above left), formerly md of Pilkington Homes, has been appointed md of PERSIMMON Homes (North West); Richard Baker (above right) has been appointed md of Persimmon Homes (Yorkshire).

■ Steve Kinsella, previously director of group projects at Norwest Holst, has been appointed director of UK business development at BALFOUR BEATTY.

■ Angus McIntosh, formerly head of research at Healey & Baker, has been appointed director of research at RICHARD ELLIS.

■ David Thurston has been appointed md and Wallace Clarke deputy md of Taymech, part of TAYLOR WOODROW. Stan Hardiman is appointed md and Mike Attwell and Julian Sargent directors of Taymel. These appointments follow John McKenna's move to be md of Taylor Woodrow Construction Holdings and his stepping down as md of Taymech and Taymel.

■ Martin Budden, formerly finance director of Birse Construction, has been appointed group finance director of BIRSE GROUP in place of David Swales who is to concentrate on company secretarial duties.

■ Andrew Mann has been appointed ceo of the New York office of GARDINER THEOBALD GLEASON PEACOCK.

■ Michael Finde (below) has been appointed group marketing director of DAVID WILSON HOMES with responsibility for national advertising and public relations.

Wileman to find 'a vision for Sears'

Sears, the retail group that includes the Selfridges department store and chains such as Olympus, Miss Selfridge, Warehouse, and Adams, is splitting the role of corporate development director – which had become "too big for one person" – to create a new post of strategy director.

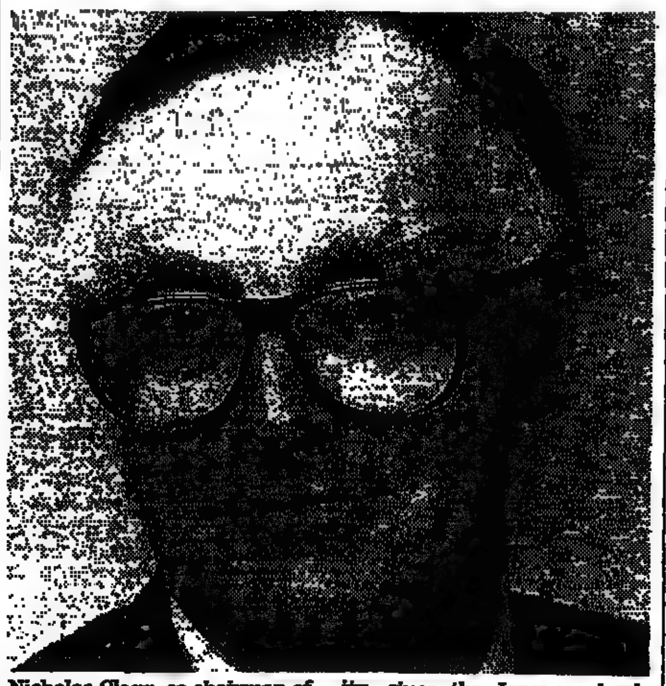
The man brought in to fill the post by chief executive Liam Strong is Andrew Wileman, 39, until now head of the retail practice at OC&C, the strategy consultancy. Strong was impressed by Wileman when OC&C was carrying out consultancy work for Sears.

Although the position is not at board level, Wileman will work closely with Strong on "coming up with a vision for Sears", the group says.

The task of restructuring Sears has been likened to turning round a flotilla, but Strong has had some success since arriving in February 1992. He has sold the group's menswear interests and the property arm Galliford, and rationalised the British Shoe Corporation.

Wileman's job now, working closely with Jonathan Katz, the present corporate development director, will be to oversee the next phase: focusing on the retailing operations and making sure shops and products are in tune with what customers want.

Wileman is expected to take a long-term view of strategy, looking at new ventures, and also at improving Sears' "core retail skills" – including customer service, product sourcing, visual merchandising and marketing. Katz will be in charge of implementing the group's new operating plan.



Nicholas Clegg, co-chairman of Daiwa Europe, is taking on the chairmanship of Daiwa Europe Bank when Geoffrey Taylor, 65, retires at the end of July.

After 22 years at Hill Samuel, Clegg, 57, joined Daiwa as a managing director in 1986. With fluent French, German, Dutch and "dormant Russian", he has been involved in Daiwa's expansion into continental Europe, including Hungary and Russia.

Taylor, who had been chief executive of Midland between 1982 and 1986, had been chairman, in a non-executive capacity, since the Japanese bank first obtained its licence in 1987. He stays on as a non-executive director and as a member of the audit committee.

The bank does only a limited amount of straight lending business, its main thrust being foreign exchange, derivatives and financial engineering as well as offshore banking out of Dublin.

While all four of the big Japanese securities houses have a European banking off-shoot, it is unusual for the most senior European in the securities house also to run the bank.

Non-executive directors

■ Sir David Alliance (top), chairman of Coats Viyella since 1989 and of N Brown Group since 1968, and Sir Robert Davidson, (above), chairman of Balfour Beatty since 1991, a non-executive director of BICC and a former president of BEAMA, have been appointed part-time members of the BRITISH COAL CORPORATION.

■ Sir Harry Solomon, co-founder and former chairman of Hillsdown, and David Winterbottom, former chief executive of Evode, at PRINCEDALE GROUP.

■ Bryan Pugh has resigned from JOSEPH HOLT.

■ John Martin, president of the Institute of Actuaries, and Jeremy Wormell at the NATIONAL PROVIDENT INSTITUTION. Michael Harris is to stand down.

■ Bernhard Feilzer, a member of the supervisory and executive board of Fortis Group, Jack Mather, chairman of the Bedfordshire Tec and former chief executive of NFC, and Angus Young, senior partner of Radcliffes, at CMG.

Art Exhibitions

New light on a spirit of place

William Packer on why Pissarro's golden period was sparked by simple necessity

It is easy to make too much of it, but a painter still tends to be known by his subject matter. It follows that when a marked shift in an artist's apparent interest should appear to have taken place we are only too ready to speculate as to motive and intention, when really all that has happened is that something fresh has caught his eye, a circumstance has changed, or a natural extension of the work has proposed itself.

The point may seem obvious, but it needs to be made all the same in a time when the literary and literal reading of art history would turn all painting into history-painting and an annexe of social study.

The Impressionists – if the word retains any collective sense – turned their attention to the particular play of light as it fell upon the world about them and, by extension, found the generality of their material in what was immediately to hand, mundane and everyday. If they looked to the nearer landscape of suburban gardens and small-holdings on the edge of Paris that even as they worked on them were being encroached upon by the growing city, rather than to a countryside more remote and idealised, it was because that was where they were. They saw a factory chimney in the distance rather than a church tower, a railway engine rather than a horse and cart. And while such details may fix the epoch for us with a peculiar poignancy, that is not to say that it was ever the artist's conscious thought to do so.

Camille Pissarro, that most assiduous and archetypal of impressionists, with his stated principles and socialist and anarchist leanings, has suffered much lately by an over-sociological reading of his work. Even now, with this magnificent exhibition at The Royal Academy, London, of the urban series of his last years, we can sense the danger, with these high views over the bridges and docks of Rouen and along the great boulevards of Paris, as though to bring home to us the dehumanised, ant-like commerce and traffic of the modern city.

And perhaps he did indulge from time to time in feelings of that sort – as who has not. Perhaps he did offer up the rationale that he was looking to the contrast of new and old, the conventionally ugly against the picturesque, the questionable weight of tradition embodied in the Louvre as he saw it rising above the trees of the Tuileries Gardens. But in front of the actual works, so informed are they with a sense of immediate engagement and excitement in the thing seen, such thoughts soon fall away, irrelevant and hard to credit.

It cannot be emphasised enough that Pissarro was nothing if not a painter. Painting is a very practical business, and whatever the nature of his anticipatory notes or his post-facto ruminations, in front of the canvas it is quite clear that the practice and the stuff of the paint absorbed him utterly.

He was already 66, an elderly man, his sight failing, when in 1896 he embarked on the first of these great series projects, the paintings of the bridge and water-front at Rouen. The energy with which he sustained this enterprise thereafter, in projects that often overlapped each other at Rouen, le Havre, Dieppe and Paris, was extraordinary. Seven years on and 1903 saw him working variously at Dieppe, Paris and le Havre through the spring and summer, and back in Paris in the autumn to complete the series of views along the Quai Malaquais. Working to the last, he was taken ill and died that November.

While such evident commitment was remarkable, the actual shift in preoccupation, from the landscapes and rural genre subjects that characterise his earlier career to these ambitious extended sequences of cityscapes, was rather less so. Indeed, it seems perfectly reasonable. What each series has in common is a high and consistent viewpoint, taken from the balcony or window of an hotel or appartment deliberately chosen for the purpose as temporary studio.

Come into somewhat more comfortable and reliable circumstances in his mature career, the old man had not merely decided that the time had come for him to work indoors, but had further realised that doing so would offer him, if anything, even more scope in his address to the real and visible world. He was not the first to paint the boulevards, the factories, the docks, nor yet the first to work thus en serie, but this practical peripatetic combination is his own.

And what a wonderful late achievement it produced and sustained. What we see is almost a new artist, an artist at least renewed and refreshed, appearing.

The former insistent and systematic application of the paint, dab upon dab, disappears, and as the handling of the paint grows ever more broad and free, so the pictorial organisation, the underlying composition, grows ever simpler and more authoritative.

Such is the structured practice and discipline, once assimilated to the point of intuitive response, that truly frees the artist – any artist – to do whatever it is he wants to do. And here, to see old Pissarro conjuring the life of the Grands Boulevards, their cabs and buses, the horses stamping at the stop and the crowd beneath the trees, out of the lightest stroke and merest smudge of paint, is a pure delight.

The paintings of those Norman towns, Rouen, le Havre and Dieppe, with their ports and markets, are well enough, but the purer visual pleasure and excitement comes with the paintings of Paris. For here is the Paris we know, for all that the streets are now full of cars and the pedestrian of necessity less, well, pedestrian.

Here is the Avenue de l'Opera slushy as only Paris can be slushy in the snow, the rue Saint-Honore bright black and silver in the rain. Above all, here is the Paris of crisp autumn days, the river hazy in a golden mist, the bare trees bright in the sun, city of light.

Pissarro: the Impressionist and the City – The Sackler Galleries, The Royal Academy, Piccadilly W1, until October 10. Sponsored by the Banque Indosuez Group.

"Sunny afternoon, Rue de l'Epicerie": a high viewpoint gave Pissarro a new lease of life

Concert

New music, old ideas

Now that the former Almeida Music Festival has shrunk to a mere pendant for the Almeida Opera season, we still hope – quite unrealistically – that it will somehow distill the newest and liveliest music into its few allotted slots. It can't, and doesn't. The non-operatic part of this year's programme comprises just two concerts by the Brindisi Quartet, two potpourri piano recitals, a recitation of Strauss's "melodrama" Enoch Arden and a single concert by Richard Bernas's Music Projects ensemble. Thus the latter, given on Saturday, was so to speak the only broad-gauge exhibit – and it proved discouragingly narrow.

It was well played, of course; the Bernas team's contributions always are. What it signally failed to do was to suggest that anything of fresh interest was going on. It concluded grimly with John Adams' 1982 *Grand Pianola Music*, which now sounds like such a loud, protracted nullity as to undermine the cleverer impression made by his more recent theatre-pieces. It is possible – just – to imagine why it got a warm American welcome in its time, when pure minimalism was beginning to seem a straitjacket.

What the "grand pianola" plays, however, is minimalist textures (endlessly repeated notes and figures, etc) without the fascination of slow, systematic change that was the original point. Instead there are sudden, arbitrary switches for variety's sake, with colourful patches which hark directly back to Stravinsky, and for emphasis some blatant Hollywood effects (scored with unblinking crudity). The total is far less than the sum of its parts. If Yvar Mikhashoff's arrangements of some Conlon Nancarrow player-piano studies seemed pleasant but unnecessary, Nancarrow's urgent, crabby sense of musical purpose made Adams sound flabbily catch-as-catch-can.

Presumably the music of David Lang – represented here by Are You Experienced? (after Jimi Hendrix, with Lang delivering his own winsomely fragmentary narration) and his recent Orpheus Over and Under, with a "music-drama" soon to come – answers to some current felt need in New York. One can only guess at what that might be; in London both pieces sounded desperately thin and wispy, without even Adams' showmanship to brighten their inconsequent progress. In this company Vic Hoyland's new Chamber Concerto (an Almeida Opera commission) at least evinced the marks of thoughtful construction, hard-edged and unappetising though it was.

David Murray

Jazz

Murray the map-maker

If jazz must continue to develop and find new ways – and there is not the space to argue that out here – then let it be David Murray who holds the map. More than any tenor saxophonist on the scene today, the 38-year-old American makes bridges between all forms of jazz to arrive at a soulful and contemporary sound which describes new and inviting horizons.

As a child and one of three sons on reeds, he performed alongside his parents four nights a week and all day Sunday at the Missionary Church of God in Christ in Oakland, California. As a grown-up in New York he has preached hellfire harmolodics alongside James Blood Ulmer and worshipped in every other musical faith, including the Catholic World Saxophone Quartet, in between. And during this time he has also developed a bewitching, alternately clipped and fluid technique on the bass clarinet.

At the Union Chapel on Sunday, leading a trio of Fred Hopkins on upright bass and Andrew Cyrille on drums, Murray's easy drive and endlessly unfurling cadenzas put me in mind of Sonny Rollins. The gusting notes and rapidly exchanged high and low registers making new statements which however abstract continued to swing articulately. As a writer and player he manages to combine the tenor authority of Rollins with the freedom of ideas of Ornette Coleman and the warmth of Ben Webster and still have a use for the energy left over.

With Murray compositions such as *Off Season*, *Walk Of the Stars* and *Hope Scope*, the Murray tenor wheedled and chimed, danced sweet and sour.

The bass clarinet sound too was a revelation, from pneumatic eructation to velvet didgeridoo: Murray's fingering technique even extended to a percussive effect which replicated a rhythmic Geiger counter.

If this trio setting provided a priceless opportunity to examine each Murray phrase in all its pungency, it was also an unusual chance to hear Hopkins' eccentric but plangent bass playing. Unconventional as a rhythm accompanist, Hopkins can replace a funny sawing-the-bass-in-half routine with scary stalking at the drop of a bow. Similarly, Cyrille, whose grounding is in free jazz, can step down from screeching percussion to a blue walking rhythm without a second thought.

Ten years ago, Village Voice critic Gary Giddins asked of Murray: "What must an exceptionally gifted American musician whose art falls between the shores of the academy and the Top 40 do to get the hearing he deserves?" More of the same is surely the simplest answer.

Garry Booth

Broadway Theatre / Karen Fricker

The blockbusters on their way to New York

You would think that Broadway would take a break after a season as dismal as the one that has just ended – only 33 productions, down from 37 in the fizzier 1991-92 season, and few gems among the dross. But hope springs eternal on the street of dreams. By the end of June, 15 Broadway productions have reserved opening dates before December – a high figure this early in the game. Not all these projects will see the limelight but at least nine are serious contenders.

The trend in recent years has been for big productions to forestall opening until spring, to stay fresh in the minds of crusty Tony Award voters and gain a box office boost at awards time in June. So why all these autumn 1993 openings? George Wachtel, director of research for the League of American Theaters and Producers, says: "Shows open when they're ready, spring or fall." A more cynical answer: seeing sparser autumns as a window of opportunity to draw audiences that, presumably, exist year-round, producers rushed in.

This autumn's offerings:

■ *Perestroika:* Tickets are on sale for the second half of Tony Kushner's *Angels in America*, which joins the first, *Millennium Approaches*, in repertory at the Walter Kerr Theatre in October.

■ *The Red Shoes:* This new musical is based on the 1947 film about a choreographer and the young ballerina who is torn between her desire to dance for him and her love of the composer of the Ballet of the Red Shoes. It reunites the *Secret Garden* team of Marsha Norman (book and lyrics), Susan H Schulman (director) and Heidi Landesman (settings). Jule Styne is writing the music and Lar Lubovich will choreograph. It is scheduled to open in December at the Gershwin Theatre with Roger Rees in a starring role.

■ *Wonderful Tennessee:* The new six-character play by Brian Friel, is scheduled to bypass London and transfer straight from the Abbey Theatre in Dublin to Broadway's Plymouth Theatre – where Friel's *Dancing at Lughnasa* had a successful run – in October. It is being billed: "*The Big Chill* of Ireland."

■ *Cyrano-The Musical:* The season's mystery production is slated to open at the Neil Simon Theater in November. This adaptation of the Edmund Rostand novel is imported from the Netherlands and is being translated into English for New York. It will feature an American cast. The money comes from Dutch television mogul Joop van den Ende, and clearly there is a lot of it: the production took a full-page ad in the *New York Times* last Sunday (cost: $50,000) and has already started a television advertising campaign.

■ *Joseph and the Amazing Technicolor Dreamcoat:* Another mega-musical import from Britain. Broadway will finally see the Steven Pimlott-directed Andrew Lloyd Webber revival, the proportions of which are reportedly as biblical as its subject matter. Michael Damian, the US equivalent of Jason Donovan, plays the title role; it is to open at the Minskoff Theater in November.

■ *The Kentucky Cycle:* Robert Schenkkan's play spanning 200 years of US history won the 1992 Pulitzer Prize for Drama. Like *Angels in America*, it is a seven-hour epic split into two nights viewing. It comes to New York in November after productions in Seattle, Los Angeles, and a try-out in Washington, all directed by Warner Shook. Stacey Keach leads the 20-strong cast.

■ *My Fair Lady:* This revival of the Lerner and Lowe musical starring Richard Chamberlain and directed by Howard Davies, is on a national tour. It is said that Tommy Tune was called in to show-doctor, and Melissa Errico, the newcomer playing Eliza Doolittle, has ruptured her vocal chords twice, but the reviews have been positive. It is scheduled to reach New York in December.

■ *Laughter on the 23rd Floor:* What would a Broadway season be without a new Neil Simon show? Hopefully this will be better than last season's turkey, *The Goodbye Girl*, a musical based on Simon's 1977 movie, which is still running on the star power of Bernadette Peters and TV comedian Martin Short. *Laughter* is a comic play set in the McCarthy era and is drawn from Simon's experiences writing for television. Nathan Lane stars, and Jerry Zaks (*Guys and Dolls*, *Assassins*, *Six Degrees of Separation*) directs. It is due to open at the Richard Rogers theatre in November after an out-of-town try-out.

■ *Paper Moon:* This new musical is based on the 1973 movie, which starred Ryan and Tatum O'Neill, about a girl who teams up with a flim-flam man to swindle their way across the 1930's countryside. The musical stars Gregory Harrison, Christine Ebersole, and a soon-to-be-named child actress. Much depends on the try-out at the Paper Mill Playhouse in New Jersey. If the word is good: Broadway in late autumn.

■ *Timon of Athens:* Tony Randall's National Actors' Theatre's brief is admirable: to present classic plays on Broadway. However, two seasons on, it has hardly left the starting block, with production after ill-advised production razed by the critics. But Randall is making a go of it for another season. Shakespeare's late drama, is to open at the Lyceum Theatre in November, directed by Michael Langham who directed the company's lone success last season, Shaw's *St Joan*.

Already several big productions are planned for next spring and beyond. The inaugural project of Walt Disney Theatrical Productions is a stage version of *Beauty and the Beast*, the animated feature. *Beauty's* press representative says the budget is $5m-$6m, but insiders put the figure anywhere between $10m-$14m. Broadway will again follow London with Lloyd Webber's *Sunset Boulevard* directed by Trevor Nunn and starring Patty LuPone, Broadway's original Evita, as Norma Desmond and *Carousel*, with Michael Hayden, who played as Billy Bigelow in the RNT production, repeating the role.

Fast on the heels of *Kiss of the Spider Woman*, producer Garth Drabinsky and director Hal Prince are teaming up again for a revival of the 1927 Oscar Hammerstein and Jerome Kern musical *Showboat*. It opens in October in Toronto where it has already drawn protests from groups who find it racially offensive. Its cast of 68 includes Elaine Stritch, Robert Morse, and Lonette McKee.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Muziektheater Tonight, tomorrow, Thurs: Dutch National Ballet in Peter Wright's production of Giselle. Fri, Sat: choreographies by Lauri Booth and Toer van Schayk. End of season (625 5455)

Concertgebouw Tonight: Hans Vonk conducts Rotterdam Philharmonic Orchestra in works by Liadov, Prokofiev and Tchaikovsky, with violin soloist Leonidas Kavakos. Tomorrow: Jean-Claude Casadesus conducts Orchestre National de Lille in Debussy and Saint-Saens. Thurs: opera concert with Katia Ricciarelli. Sat: Alexei Sultanov piano recital. Next Mon: Ton Koopman conducts Amsterdam Baroque Orchestra in works by Handel, Bach and Vivaldi (24-hour information service 675 4411, ticket reservations 671 8345)

ATHENS

Odeon of Herodes Atticus Tonight and Thurs: Greek Radio Symphony Orchestra and Chorus in Mikis Theodorakis' Medea. Fri: Athens State Orchestra. Sun, next Mon and Tues: *Central Ballet of China*. July 14, 15: Moscow State Symphony Orchestra. July 21-27: Ballet de l'Opera de Paris (322 1459)

Epidaurus The annual festival of ancient drama in the 1400-seat amphitheatre at Epidaurus has performances on most weekends throughout the summer. This week's performances on Sat and Sun are Euripides' Medea. July 17, 18: Aristophanes' Ecclesiasouzae (Women in Parliament). Tickets are available daily at the Athens Festival box office (322 1459) or at the theatre of Epidaurus on Thurs, Fri and Sat (0753-22006)

CHICAGO

RAVINIA FESTIVAL

Tonight: The Temptations and The Four Tops. Tomorrow: The Neville Brothers. Thurs: Ensemble for Early Music. Libor Pesek conducts Chicago Symphony Orchestra in a Czech programme on Fri with Labeque Sisters, and works by Bach, Stravinsky and Schubert on Sat with piano soloist Peter Serkin. Sun: Erich Kunzel conducts a Gershwin programme. Next Mon: Tokyo String Quartet. The festival runs till early September. All concerts are broadcast to the lawn for outdoor listening. Lawn admission is always available (Tel 312-728 4642 Fax 708-433 4582)

COPENHAGEN

Tivoli Tonight: Kronos Quartet. Tomorrow: Esa-Pekka Salonen conducts Stockholm Chamber Orchestra in works by Sandström, Mozart, Haydn and Bartok, with piano soloist Alexei Lubimov. Thurs: *Drottningholm Baroque Ensemble* plays works by Telemann, Vivaldi, *Mozart and Rameau*. Thurs: Yuri Bashmet directs Soloists of the Moscow Conservatoire in works by Grieg, Hindemith and Mozart. The summer concert season runs till Sep 19 (3315 1012)

LONDON

THEATRE

● Sunset Boulevard: the new Andrew Lloyd Webber musical based on the 1940s Billy Wilder film. Now in previews, opens next Mon (Adelphi 071-344 0055)

● *Much Ado About Nothing:* Shakespeare's romantic comedy directed by Matthew Walcus and starring Janet McTeer and Mark Rylance. Opens tonight (Queens 071-494 5040)

● The Mountain Giants: William Gaskill directs Pirandello's unfinished play about theatrical illusion. Previews begin on Thurs in the Cottesloe, opens next Wed (National 071-928 2252)

● Oleanna: British premiere of David Mamet's powerful drama about sexual harassment and political correctness. Harold Pinter directs a cast led by David Suchet (Royal Court 071-730 1745)

● Inadmissible Evidence: John Osborne's 1964 play about the collapsing world of solicitor Bill Maitland, played by Trevor Eve. In repertory in the Lyttelton with Tom Stoppard's sparkling new play Arcadia, directed by Trevor Nunn (National 071-928 2252)

● Crazy for You: thrilling new version of the Gershwin musical Girl Crazy (Prince Edward 071-734 8951)

MUSIC/DANCE

Covent Garden Tonight, Fri (in repertory till July 23): Bernard Haitink conducts Johannes Schaaf's production of Don Giovanni, with Thomas Allen, Claudio Desderi and Karita Mattila. Sat: The Cunning Little Vixen. Next Tues: Eugene Onegin (071-240 1066)

Coliseum Kirov Ballet season: this week's performances are Swan Lake and the Lavrovsky production of Romeo and Juliet. Daily except Sun till July 31 (071-836 3161)

Barbican Tonight: royal gala with David Essex. Thurs: The Dubliners. Fri: Stephane Grappelli. Sat: Cleo Laine and John Dankworth. Sun: Mstislav Rostropovich conducts LSO in works by Beethoven and Artimov, with piano soloist Radu Lupu (071-638 8891)

Royal Festival Hall July 11-17: Jazz Parade, with Tony Bennett and Ronnie Scott, Santana, Al Green, Count Basie Orchestra, Arturo Sandoval and BB King (071-928 8800)

Royal Albert Hall BBC Prom season begins on July 16 with a concert performance of Elektra and runs till Sep 11 (071-589 8212)

MILAN

Teatro alla Scala Thurs: final performance this season of Strehler production of Falstaff, with Juan Pons in title role. Next Tues: first of seven performances of Tancredi, with Chris Merritt and Mariella Devia (7200 3744)

ROME

ROMAEUROPA

Tonight at Santa Cecilia: Orchestra and Chorus of Santa Cecilia Conservatory present a programme entitled Homage to Goffredo Petrassi, with music by Gubaydulina, Schnittke, Petrassi and others. Tonight, Thurs, Fri at Villa Massimo: experimental Belgian choreographer Anna Teresa de Keersmaeker. Thurs at Santa Cecilia: Klangforum Wien. July 12, 13, 14 at Villa Massimo: Angelin Preljocaj dance ensemble. July 20-23: Nederlands Dans Theater (4890 4024)

STRATFORD

This month's repertory at the Royal Shakespeare Theatre is The Merchant of Venice, directed by David Thacker with David Calder as Shylock, and King Lear starring Robert Stephens. The Swan Theatre has T.S.Eliot's Murder in the Cathedral directed by Steven Pimlott and Goldoni's The Venetian Twins directed by Michael Bogdanov. The Other Place has Ibsen's Ghosts directed by Katie Mitchell. A promenade production of Julius Caesar, directed by David Thacker, opens in The Other Place on July 28 (0789 295623)

TURIN

Teatro Regio Britain's Royal Ballet opens a two-week dance festival tomorrow with the first of four performances featuring Kenneth MacMillan's Mayerling and Anthony Dowell's production of Swan Lake. Other companies taking part in the festival include Les Ballets de Monte Carlo and LaLaLa Human Steps (8815 241)

WASHINGTON

THEATRE

● *The Phantom of the Opera:* Andrew Lloyd Webber's musical, directed by Harold Prince. Till Aug 28 (Kennedy Center Opera House 202-467 4600)

● Strindberg in Hollywood: Drury Pifer's poignant comedy in which the 19th century dramatist gives his view of American morality today. Till July 18 (Woolly Mammoth Theater 202-393 3939)

● Lend Me a Tenor: a farce of operatic lunacy by Ken Ludwig. Opens tonight, till Aug 1 (Olney Theater, 301-924 3400)

● The Twilight of the Golds: Jonathan Tolins' witty family drama with moral, emotional and physical undercurrents. Till Aug 1 (Eisenhower Theater 202-467 4600)

MUSIC

Wolf Trap Tonight and tomorrow: The Moody Blues. Tomorrow, Thurs, Sun: Wolf Trap Opera Company in La clemenza di Tito. Thurs, Fri, Sat: Zdenek Macal conducts National Symphony Orchestra in three popular Tchaikovsky programmes, with Itzhak Perlman soloist in the Violin Concerto on Thurs. July 13, 14: stars of the Bolshoy and Kirov Ballets in extracts from classical ballets (1624 Trap Road, Vienna, Virginia, 703-218 6500)

Blues Alley Jazz Supperclub Tonight: Washington Jazz Battalion Reunion Show. Tomorrow: Jazz Mania. Thurs: guitarist Ken Navarro. Fri, Sat, Sun: Junior Walker and the All Stars (1073 Wisconsin Ave, in the alley, 202-337 4141)

Merriweather Post Pavilion Thurs: *José Carreras* (301-982 1800)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Success story's next chapter

Ghana is an African role model, but still relies on foreign aid, say **Edward Balls** and **Leslie Crawford**

For a man responsible for black Africa's test case economy, Dr Kwesi Botchwey, Ghana's veteran finance minister, appears remarkably relaxed.

With some justification. Ghana's 10-year structural adjustment programme has attracted $5bn in foreign aid, and the well has not run dry. Last week Dr Botchwey was back in Accra, two days after asking a Paris meeting of donors for additional funds and getting half a billion dollars more than he had asked for – a further $2.1bn over the next two years.

Today, Mr Botchwey will attend a conference in London, sponsored by the Confederation of British Industry. He will try to woo foreign investors by publicising Ghana's streamlined investment code, which removes many curbs on multinational investment.

Times have changed. Ghana, the first British colony to achieve independence in 1957, became synonymous with African state socialism and economic mismanagement in the 1960s and 1970s. Now it has embraced the market.

The World Bank and the International Monetary Fund, starved of African success stories, are quick to present Ghana as a role model. Ten years of liberalisation, deregulation and devaluation, cushioned by annual aid flows amounting to 8 per of gross domestic product, have enabled the government to produce an average growth rate in income per head of 2 per cent a year since Flight Lieutenant Jerry Rawlings, then Ghana's military ruler, agreed to take the IMF medicine in 1983.

Compared with the rest of Africa, this is impressive. Since the "economic recovery programme" began, Ghanaian gross domestic product has grown by an average 4.9 per cent a year, more than twice the sub-Saharan average. It follows a decade in which real income per head in Ghana fell by 30 per cent.

Yet, after 10 years of adjustment, Ghana remains desperately poor. Its average income per head was only $400 last year. The World Bank estimates that, at current annual growth rates (5 per cent for GDP, 3 per cent for population), it would take more than 20 years for the average poor Ghanaian to reach the current poverty threshold, defined as two-thirds of today's average consumption per head.

A recent World Bank strategy document, "Ghana 2000 and beyond – setting the stage for accelerated growth and poverty reduction", estimates that Ghana needs to raise its growth rate to 8 per cent a year to free the average poor person from poverty in 10 years. The government hopes that a leaner, export-led manufacturing sector will enable it to reach that rate by 2000.

But Ghana's task is immense, as the World Bank report makes clear. The domestic economy remains heavily dependent on a narrow commodity base – primarily cocoa and gold – for export earnings while manufacturing exports are tiny. Private investment amounted to only 8 per cent of GDP in Ghana in 1990, compared with 32 per cent in rapidly growing Thailand – half the level at which Thailand started on the growth path back in 1965. Asia's newly industrialised countries, as well as Thailand and Malaysia, had also achieved universal primary education before they began to industrialise in the early 1960s. In Ghana, 20 per cent of young people are not registered at primary school.

The east Asian economies provide a benchmark against which Ghana can measure the task ahead. East Asia's experience also suggests lessons for the Ghanaian government's strategy in the second phase of development.

The focus of Ghana's policy over the past decade has been on reducing the role of government and, in some areas such as the privatisation of state industry, this focus continues. But the government also appears to be pursuing a form of intervention which goes beyond the traditional "enabling" role for government: providing information and investing in education, health and infrastructure.

The government now talks of "a new agenda of activism" that will offer special incentives to investors. Mr Botchwey has asked the private sector to draft guidelines for the selective protection of infant domestic industries. "Picking winners is a hazardous thing," he concedes. "The protection measures will have to be time-bound and the criteria must be clear and transparent, to avoid charges of political favouritism."

At the same time, following the removal of credit ceilings, the Bank of Ghana, the central bank, is using its indirect influence in the foreign exchange market to support the government's growth strategy. By keeping foreign exchange in short supply, the central bank has encouraged the commercial banks to direct their supply of foreign exchange towards export-orientated customers who might earn and return foreign exchange in the future. In the words of one banker in Accra: "The banks now operate the Bank of Ghana's exchange control regime on its behalf."

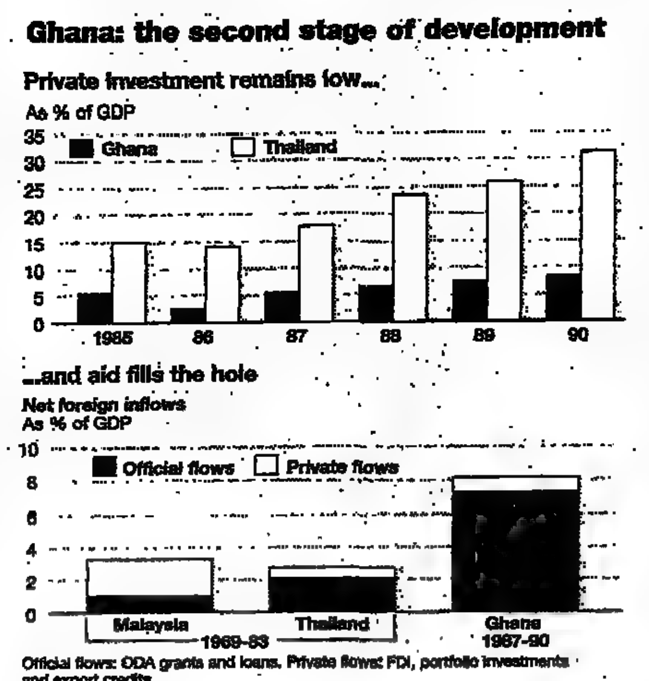
A third focus of the government's new activism is foreign investment. The government plans to lure foreign companies with tax holidays and other fiscal incentives, particularly multinationals which have encountered quota problems in east Asia.

"A number of multinationals who quit in the 1970s are coming back," says Mr Botchwey. "They are looking at the comparative labour costs and are interested in producing on a large scale for export." Sunquist, the tuna fish company, plans to invest $10m because it is encountering quota ceilings on exports from Thailand.

So far, progress has been slow. Ghana's private sector success stories in export diversification are few, while additional substantial foreign investments have yet to materialise. One reason is that investors have been waiting to see how Ghana's transition to democracy will develop after more than a decade of military rule. The government is engaged in a painful battle to offset the fiscal and inflationary problems incurred in the run-up to November's election which saw Jerry Rawlings declared civilian president.

Mr Botchwey has no illusions about achieving economic independence soon. Ghana's persistent current account deficit is expected to be 6 per cent of GDP this year. "If you could assure me of an improvement in our terms of trade, and a greater measure of debt forgiveness, then Ghana could wean itself off aid in four to five years," he says.

Nowhere in Africa are structural reforms so far advanced, and the government's commitment so deeply rooted. But for Ghana to become Africa's success story, it must take the qualitative leap into accelerated, export-led growth. For now, it remains dependent on the patience of the international donor community.



Official flows: ODA grants and loans. Private flows: FDI, portfolio investments and export credits.
Source: Ghana 2000 and Beyond, World Bank 1993.

The chancellor's dilemma: an inside view

1976 and all that

In his recent FT interview the new chancellor threatened to put up taxes if the economy *did* not recover. That was extraordinary because, before he came to the Treasury, Mr Clarke's instincts were Keynesian and Keynesians believe that, when demand is weak, it should be boosted by tax cuts, not held back by tax increases.

It looks as though Mr Clarke, after talking to his officials and junior ministers, has come round to the Treasury view that the most important task confronting him is to get the public finances in order. A strong recovery would help in that respect, because tax revenues would rise and recession-linked spending would fall. But, if a faltering economy fails to deliver this improvement automatically, Mr Clarke's first Budget will make good the shortfall.

This is the economics of the hard centre: tough on borrowing, tough on inflation. It will be deeply unpopular on the right, which will say it is anything but tough on *public* spending. Battered by recession, Mr Major's government has seen the reduction in public spending achieved under Lady Thatcher completely reversed. At 45 per cent, it now takes a greater share of GDP than in 1979.

The best way of reducing borrowing is to cut public spending, but that option has been ruled out this year. So Mr Clarke now faces the classic dilemma: borrow or tax? If he opts for higher taxes, the right, already upset by spending levels it sees as creeping socialism, might rebel. Labour will gloat over broken promises. So, more borrowing seems the easier option.

Though it might give Mr Clarke an easier time in the House of Commons it would, however, play badly on the financial markets.

The government's £50bn budget deficit has been funded relatively easily so far, but the price has been high. Despite *core inflation down to 3 per* cent, and headed lower, long interest rates remain around 8 per cent. The markets are far from convinced that we have permanently kicked the inflation habit. They are worried by the worst deterioration in the public finances since 1976. That was the year of recurrent sterling crises, remembered for chancellor Healey's about-turn at the airport followed by a cap-in-hand application for an IMF loan.

In 1976, public borrowing as a *share of GDP* was nearly 11 percentage points higher than six years earlier. Today, a greater rise has occurred in five years. On both occasions the increase had its origins in a tax-cutting boom, followed by a deep recession, with an election in between.

Another financial crisis, so soon after Black Wednesday, could bring down the government

In 1976, the public borrowing problem was compounded *by a balance of payments* problem. The present balance of payments deficit, at 3 per cent of GDP, is three times as bad as in 1976, without the excuse of an oil price hike.

Many countries had current account deficits as big as the UK's in 1976. Few do today.

This year, Britain will borrow some £30bn from abroad to fund its current account deficit. The government could help in principle by selling some of its £50bn of debt to foreigners. But persuading them to buy may prove difficult – as it did in 1976, and for similar reasons.

No lender likes putting money into a country (or firm, or household) in which the burden of debt is steadily rising as interest charges are rolled up into the outstanding debt. Yet the present position of the UK government is even worse than that. Total debt is officially forecast to rise by much more than the interest bill over the next four years.

The debt burden will rise from less than a third of national income to over a half.

That will not be easy to change. The large international buyers of government bonds will, as in 1976, note the UK government has a small majority. That is why spending cuts have been ruled out. Backbench pressure may also preclude tax increases, hated on the right for ideological reasons, and resisted across the board (as in 1976) by those worried about their effect on a fragile recovery at risk from a world economic downturn.

It is because of the political risk of persistent budget deficits that yields remain so high in real terms. Selling gilts at an 8 per cent coupon with underlying inflation at 3 cent is expensive, but preferable to the alternative, seen in 1976, of a buyers' *strike. For, once the Bank gets* behind with its funding, another risk looms: the money supply starts to grow very *rapidly*, reinforcing inflationary fears.

Such fears would tend to be self-fulfilling, since they would weaken the pound, thus adding to inflationary pressures. The events of Black Wednesday have left the authorities with depleted foreign exchange reserves (another parallel with 1976) so intervention would not be an option. A falling pound would make it almost impossible to sell gilts to foreigners, so the monetisation of the debt would accelerate unless interest rates were jacked up sharply. All the ingredients for a full-scale financial crisis would be in place.

This vicious circle actually occurred in 1976. But then the markets saw Britain as a strike-torn country run by a Labour government in the thrall of unruly trade unions paying a coupon on its debt which barely matched the endemic double-digit wage-led rate of inflation. The financial markets like peaceful labour markets, Conservative governments, low inflation and high real interest rates. They will draw comfort from yields well above a low inflation rate underpinned by a remarkable fall in wage inflation and the lowest number of strikes on record.

A repeat of 1976 is not likely. But that distant horror story reminds us that the new chancellor's first Budget has, above all, to reassure the financial markets. Another financial crisis, so soon after Black Wednesday, could bring down the government.

As he ponders his options, the new chancellor may reflect on another, more comforting precedent: the 1981 Budget, which raised taxes in the depths of a recession. That ran counter to the conventional Keynesian wisdom of the time and was deeply unpopular. But it is now generally agreed to have laid the foundations for the subsequent long period of sustained growth with low inflation.

It seems to be a fact of life that the deterioration in the public finances generally happens in the boom years, but becomes apparent only in the subsequent recession.

Why that is so is a question to which I shall return next week. But *because* it is so I believe Mr Clarke should put up taxes in his first Budget and I believe he will.

Bill Robinson

The author is former director of the Institute for Fiscal Studies and special adviser to former chancellor Norman Lamont

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Japan the key to world economic stability

From Mr Bill Castell.

Sir, A change of agenda for the Tokyo G7 meeting is essential if we are to move the world out of unemployment stalemate and public purse insolvency. Once again the political reality of trade liberalisation against the background of world recession will ensure that the requisite domestic restructuring and consequent *economic dislocation* are neither affordable for the public purse nor politically acceptable at the ballot box.

A change in agenda which enhances the international status of the Japanese, the only nation currently able to pump-prime world economic activity, is more likely to succeed than US pressure for managed trade and European pressure for immediate reductions in the Japanese trade surplus. Japanese industrial hegemony and the resultant $150bn forecast trade surplus may be a destabilising factor in world trade.

The Japanese, however, are rightfully proud of their success post Hiroshima. They should not be publicly castigated, but rather shown a new agenda by the G7 leaders which requires Japan to shoulder its share of the cost of global security. Such an initiative would have the Japanese being applauded by the international community for their *global statesmanship* rather than hounded by our elected representatives because of Japanese industrial superiority.

The end of the cold war and the defeat of the heavy hand of communism have brought a greater threat to world security than at any time since President Kennedy faced off the Soviets in the 1960s Cuban missile crisis. The cold war is over but Ukraine is sabre rattling, the nuclear missiles are still in place, the Black Sea fleet has yet to get clear direction and there are more than 20 nuclear reactors in Russia alone, which should be shut down immediately if the certainty of more Chernobyls is to be averted. Surely this threat to global security is an agenda item which, in our own self-interests, should be the major focus of the G7; an agenda item which national electorates can more readily understand than the dismantling of protective bilateral tariffs on spirits, rice, corn and textiles.

The G7 nations have the capacity and the technology to assist the Commonwealth of Independent States in its basic needs and to underwrite global nuclear security, but not through World Bank straitjackets and trade wars with the Japanese. By allocating geographical areas within the CIS to each G7 member we can move with the speed required to meet the immediacy of CIS needs. Such a programme needs a financial catalyst and the Japanese are in the position to shoulder the costs of materials and technology transfer. To succeed we need to create the agenda and ameliorate the mutual distrust of the Russians and the Japanese which is so manifest in such issues as the ownership of the Kurile Islands north of Japan.

What should our elected leaders be pursuing – managed trade and Japanese humiliation or managed security and Japanese *willing* statesmanship in pump-priming world security and, through it, economic stability? For me, at least, and more importantly for the future of my children, I will vote for the latter. This is the necessary and legitimate contribution of our generation to securing world peace with the added dividend of stimulating world economic activity.

Bill Castell,
chief executive,
Amersham International,
Amersham Place,
Little Chalfont,
Buckinghamshire HP7 9NA

Too much protesting

From Mr Ian Powe.

Sir, Recent editorials and letters about British Gas's supply monopoly and future structure confirm an industry view that British Gas doth protest too much. The assertion by its chief executive, Mr C H Brown, that a competitive framework would lead households to face gas bill increases of "up to 94 per cent" (Letters, June 30), is unworthy. No government would allow that threat to materialise and British Gas does itself no favours by pretending otherwise.

The heart of the matter is that energy consumers deserve choice and need regulatory protection. A new gas market, probably franchise based, must eventually empower competitors, including British Gas, to compete on price (below a regulated *maximum*) while meeting all obligatory standards of service British Gas so effectively provides today. Those standards include an obligation to supply gas at a tariff price to households which are connected to the mains; the British Gas notion that low-income households might one day pay more than the better-off is politically preposterous.

Ian Powe,
director,
Gas Consumers Council,
6th Floor, Abford House,
15 Wilton Road, London SW1

Common recycling target

From Mr David Eggleston.

Sir, Your editorial "Stop the EC waste war" (July 1) was an excellent review of the problems created by the German approach to "solving" the challenge of what to do with used packaging.

Your proposed solution, setting different recycling targets for different materials in different countries is, however, a political non-runner.

An alternative approach increasingly finding political, business and even environmentalist favour is to set a challenging but common valorisation target (which embraces re-use, recycling and energy recovery).

Each member state would then choose its own route to meeting successfully the broad target, rather than being forced into the environmentally unsustainable straitjacket of recycling alone.

David Eggleston,
environment manager,
Linpac Plastics,
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Knottingley,
West Yorkshire WF11 0BS

60-hour week not 'macho'

From Mr Peter Curwen.

Sir, I venture to take issue with the view expressed in "Macho managers under fire" (July 3) that it is "lunacy" to work long hours. For my part, I am at work by 8am and normally clock up 50 to 60 hours a week in the office, including weekends. However, while this can be tiring, it is never, of itself, stressful, nor is it in any way worthy of the term "workaholic".

I agree that fear of losing one's job is a source of stress, but I would have thought this applied even more to poorly-paid clerks working a 40-hour week than to highly-paid managers. What the article does not point out is that the typical manager is too sedentary, and would feel less stressed if he or she ate fewer lunches and instead went to the gym.

More important, "Dorking Man" is stressed precisely because of living in Dorking. It *takes me 10 minutes* to commute to work. The time it takes for "Dorking Man" to wend his weary way home would provide an additional hour to be spent with the family, which is equally true first thing in the morning. A 50-hour working week leaves sufficient time for other things. The roots of the problem lie elsewhere.

Peter Curwen,
reader in business,
Sheffield Business School,
113 Arundel Street,
Sheffield S1 2NT

Private funding for pensions

From Mr Stephen G Glanfield.

Sir, Your analysis of the pitfalls in both common methods of pension provision ("Second best pensions", June 30) hints at the real problem. State pensions will become more costly or benefits must reduce. As the unfunded state system is *unsustainable at present levels* in the long term, the private sector will be needed to provide the balance. However, it is notoriously ineffective in that role without aid; people will not save sufficiently until too late. Witness the poor take-up in good schemes demanding low employee contributions.

Government has already legislated for compulsory pensions via Serps (state earnings-related pension scheme). It should now go further by requiring minimum private contributions in respect of all employees to become over time, say, 10 per cent of pay, while gradually cutting back on unfunded state provision. Transparency would require this element to be defined contribution, leaving any top-up to companies to negotiate with employees direct.

This would deliver quality benefits cost effectively without disruption to our cost base.

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FINANCIAL TIMES

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Tuesday July 6 1993

Defence of the nation

THE UK government's defence white paper, published yesterday, is useful as far as it goes. Despite criticism from some backbench Tory MPs, nothing in the document, Defending Our Future, should come as a surprise. Since cutbacks in defence spending of £1bn over two years were announced last year, all that remained was to choose where the axe would fall. The decision to cut conventional submarines, frigates and Tornado aircraft is sensible given the reduced military threat following the end of the cold war.

The criticism of Defending Our Future is not that cuts are too savage, but that it fails to undertake a root-and-branch examination of Britain's defence commitments. This is not simply because of budgetary constraints, though they certainly cannot be ignored. At a time when other parts of the public sector – in particular, social security, health and education – are having to justify their programmes from first principles, defence commitments costing £24bn a year should not be immune from similar scrutiny.

A review is also necessary because Britain has yet to make a full adjustment to the changed economic and geopolitical realities of the past 50 years. Given that Britain is no longer a rich imperial power, it is not clear *a priori* that it should spend 4.1 per cent of its GDP on defence, while France spends 3.4 per cent, Germany 2.2 per cent, Italy 2.0 per cent and Spain only 1.7 per cent. Nor is it clear that taxpayers could not enjoy a more generous peace dividend than that so far delivered following the end of the cold war.

Mr Malcolm Rifkind, the defence secretary, says a defence review is inappropriate because the international scene is changing so quickly that the conclusions of a review would be out-of-date before publication. But if ministers applied this judgment widely, they would not undertake fundamental reviews in any policy area.

In defence, there are many pressing questions. Should Britain always be among the first to volunteer its services as a global policeman when its interests seem no more at stake than those of other nations less eager to become involved? Could the number of troops in Northern Ireland be cut, as Mr Archie Hamilton, the former armed forces minister, argued at the weekend? And does Britain's defence force, including its nuclear deterrent, need to be independent or would there be advantages in pooling some defence roles with other European Community members of Nato?

It may be argued that Britain's permanent seat on the UN security council depends on maintaining a nuclear capability and being willing to become involved in global operations. But if this is so, the question remains whether the advantage of sitting at the top table is worth the price.

Such questions are controversial. But that is no reason to avoid them. In addressing them, the guiding principle should be a hard-nosed assessment of Britain's realistic ambitions rather than a romantic view of its past.

India's two years

INDIA'S ECONOMIC progress in the two years since the government of Mr Narasimha Rao came into office has been impressive. For this, the prime minister, his minister of finance, Dr Manmohan Singh, and the officials who are pushing reform forward deserve both credit and support. Both of these were duly received at the meeting of aid donors in Paris at the end of last week, which pledged assistance worth US $7.4bn (£4.9bn) for 1993-94.

India contains nearly as many people as Sub-Saharan Africa and Latin America together. The attempt to reconcile economic progress with democracy in so huge and poor a country has something heroic about it. Until recently, however, that heroism was not matched by common sense over economic policy.

The trigger for change was a crisis. Two years ago India was on the brink of default. Decisive action at home, luck with the weather and strong support from abroad have brought a remarkable turnround. Foreign exchange reserves have increased from $1bn to $6½bn; annual consumer price inflation has fallen from a peak of 17 per cent to 6 per cent; the central government's fiscal deficit has been reduced from 8.4 per cent of gross domestic product in 1990-91 to the 4.7 per cent expected this year; overall economic growth, after dipping to 1.2 per cent in 1991-92, is expected to exceed 5 per cent again this year. Little wonder India is one of the IMF's models.

Policymakers did not limit themselves to stabilisation. A "big bang" reform was ruled out for political reasons. But a discussion paper released by the finance ministry at the end of last week stresses that what has happened so far represents the first two years of a five-year programme of market-oriented reform.

Still to come, says the finance ministry, are further fiscal consolidation, completion of tax reform (including introduction of a VAT), further reductions in tariffs (which still peak at 85 per cent), further financial sector reform, improvements to infrastructure (notably power generation), reform of the oil sector and, not least, "restructuring of weak and unviable enterprises".

This is good as far as it goes, but it does not yet go far enough. The government is not yet prepared to admit that both efficiency and the need for additional investment make wholesale privatisation inescapable. It has been unwilling to recognise that private employers will not hire people they are unable to fire. It has hardly begun to reform perhaps the most intractable of all problems, centre-state relations.

India has far to go. But beginning a new departure is often the hardest part. Provided neither complacency nor instability set in, the chances for further reform and improved performance look excellent. The finance ministry talks of sustainable growth of 6 to 7 per cent. Six per cent is a minimum for a country like India. But 7 per cent need not be the ceiling.

Ring of anxiety

DISRUPTION TO business caused by the security cordon in the City of London was described as negligible yesterday. The first working day of anti-terrorist traffic restrictions in a small area of the capital's financial district failed to produce the threatened jams. Vital though it is to defeat terrorism, these measures do not look like part of a well-considered and coherent strategy for fighting the Irish Republican Army.

The plan has been instituted at the request of the City Corporation, the local authority for the district. On two recent occasions, the IRA has planted large bombs, causing death, injury and hundreds of millions of pounds of damage. Two other attempts, involving large quantities of explosives, were thwarted outside the City's boundaries. The Corporation felt that action was needed to protect the City's position as an international financial centre. Further successful attacks would harm London's prospects in competing for financial businesses which might be tempted to relocate to other European cities

The Corporation's security cordon has, however, given the terrorists a propaganda coup by so publicly interfering with commercial activities in the capital. In its mainland bombing campaign, the IRA's avowed aim is to prevent the British living life normally, so long as Northern Ireland remains part of the UK. By setting up roadblocks and police checkpoints in the City, the Corporation has provided compelling evidence of the success of the campaign.

The strategy is also unlikely to deter bomb attacks in London, only a tiny part of which is covered by the cordon. A similar security ring in Belfast has had some success in protecting a small part of the city centre. But the bombers have simply shifted their attacks to targets elsewhere in Belfast and to other provincial towns. There is a grave danger that the City of London's security cordon will displace the terrorist attacks to other parts of the capital.

Perhaps the most compelling argument against the security cordon is that once made permanent, it would be difficult to dismantle. Except in the unlikely event of the IRA publicly abandoning its mainland bombing campaign, the removal of the cordon would be seen as either an admission of failure or an invitation to the bombers to return.

The City traffic restrictions have been imposed as part of a six-month pilot study, since legislation would be required to make them permanent. The Corporation should think hard before proceeding to this stage. It would be wise to spend the next six months thinking of less disruptive and potentially more effective ways of deploying the very substantial resources involved in manning the new security system. Draconian car-parking restrictions and more intense surveillance, of the kind used around Whitehall since the mortar attack on Downing Street, are options worth considering.

Hanging on by a thread

Tariff barriers and low foreign labour costs are driving Japanese textile production offshore, writes **Daniel Green**

When Toray, Japan's biggest textiles company, opens a £50m factory in the UK tomorrow there will be the usual ribbon-cutting and rice wine. But behind the razzmatazz lies a deep pessimism in the industry.

Like many leading western industrialised countries, Japan has seen the production of textiles and clothing drift to countries with lower wages elsewhere in Asia. Unlike its western counterparts, however, the Japanese government seems unwilling to protect domestic companies with trade barriers against imports.

An executive at Teijin, Japan's second-largest synthetic fibre textiles company, blames the lack of domestic protection on the US and the EC, both of which are pressing Japan to cut its trade surplus, set to reach $150bn this year. "The government has problems with the trade surplus. We believe that the [domestic] textile and clothing industries will be sacrificed," he said.

But Japan's textiles companies are not prepared to be martyrs in the trade war. Unable to beat the importers on home territory, they are engaged in an unprecedented diversion of investment abroad. Overseas, they can take advantage of a combination of lower labour costs, lower transport costs to local customers and access to local markets that have import tariffs.

Toray is typical of the new strategy. Sales from its domestic plants are worth about $3bn a year, three times as much as those from overseas plants. Over the next seven years, however, it plans to treble foreign production while maintaining domestic output at its current level.

The UK plant is one of the several overseas ventures it has established to promote this process. Toray says it chose Britain because of the presence of one of its best customers: Marks and Spencer, the UK's largest clothes retailer. The plant will supply silk-like polyester fabrics to garment makers that supply M and S.

The fabric produced by the plant is unique in the UK. The yarn is twisted in different ways during weaving to create a variety of textures. Demand for such fabrics in the UK is currently satisfied by imports: Japan exported polyester fabric worth £42m to the UK last year.

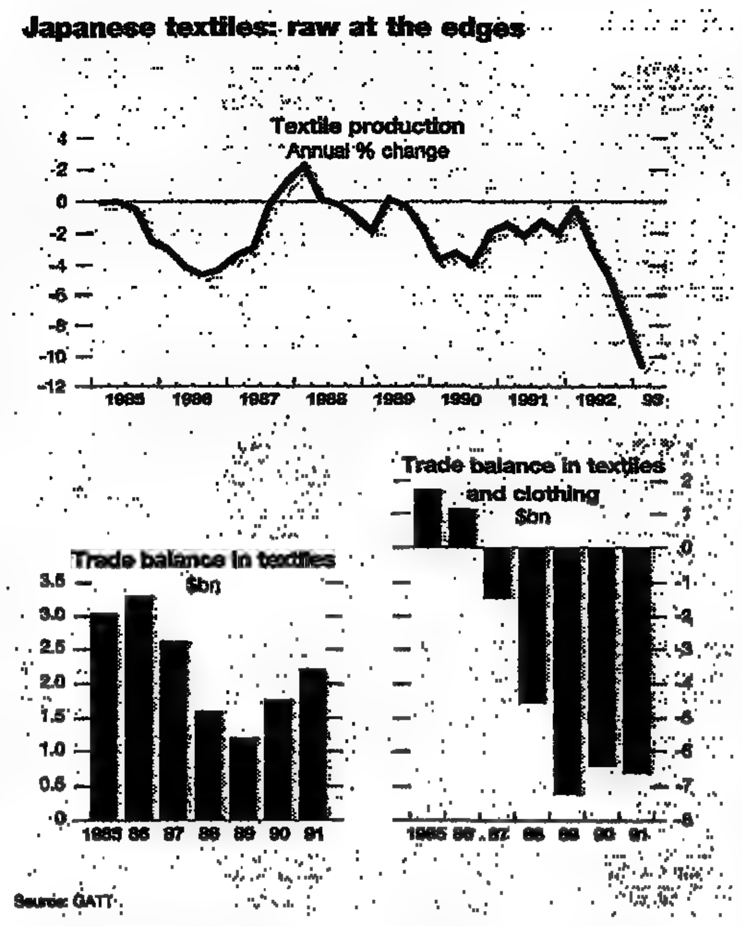
Britain is not alone in Europe in winning inward investment from Japanese textiles companies. France's largest textile company, DMC, has signed a joint venture with Japan's fourth-biggest textiles company, Unitika, for the production and marketing of polyester fabrics near Grenoble. Production started this spring, and sales are projected to reach about $70m a year by the mid-1990s. At the same time, Unitika plans to cut output at its main Japanese cotton-spinning plant by half by next March as part of its winding down of domestic production.

Despite recent commitments in the EC, the overwhelming bulk of Japanese investment is going to neighbouring Asian countries, principally Indonesia, Thailand, Vietnam and China. In common with European countries, they have developed garment industries that use imported Japanese textiles – but labour costs are significantly cheaper. The biggest names in Japan's textiles industry are involved:

- Toray has factories in Malaysia, Thailand and Indonesia and a joint venture in China.
- Teijin is reducing polyester output in Japan this year at the same time as investing Y25bn ($233.64m) in Indonesia and Thailand. Its Indonesian output is scheduled almost to double between 1991 and 1994. It also has factories in the Philippines, Thailand and Brazil.
- Last summer, Toyobo established its fourth cloth-manufacturing joint venture in Malaysia. This year, it is cutting Japanese output by 20 per cent by suspending production at 10 of its factories for between four and eight days.
- Kanebo is closing three of its five domestic cotton spinning and weaving mills this year. It may transfer its entire spinning and weaving operation overseas and is looking at China, Indonesia, Thailand and Vietnam.
- Kuraray manufactures in Indonesia, as does Osaka's Mitsubishi Rayon, which is planning to expand in Thailand and the Philippines.

The switch by Japanese textile makers from domestic production to overseas investment is seen in output figures from the International Textile Manufacturers Institute. The institute says textile production in Japan has fallen by 16 per cent in the past year.

A further shrinking of Japan's domestic textile and clothing industries, as Teijin fears, would represent an extraordinary turnaround in the fortunes of what was once a classic export-driven Japanese industrial success story.



Source: GATT

In 1957, Toray and Teijin licensed a polyester fibre-manufacturing process from ICI. Within 20 years, Japan's manufacturing strength had triggered import controls by western countries in the form of the multi-fibre arrangement (MFA) which placed quotas on incoming textiles and apparel. In the early 1980s, ICI withdrew from polyester making.

But during the decade rising Japanese prosperity began to add to labour costs, and textiles from the rest of Asia started to pour in. During the late 1980s, Japanese consumers also developed a taste for designer clothes and fabrics from Europe and the US.

Without tariff barriers to protect it, and sandwiched between cheap Asian products and western designer labels, the Japanese market succumbed to a flood of imports.

In the course of the 1980s, textile and clothing exports halved as a percentage of total exports. As recently as 1986, Japanese textiles and clothing ran a trade surplus. By 1991, the surplus had become an $8bn deficit, the third-biggest in the world, overtaking that of the UK.

In textiles, South Korea, Taiwan and China have each outstripped Japan in synthetic fibre output, as the value of imports into Japan more than doubled during the 1980s to $4.1bn.

In clothing, similar imports grew sixfold to $8.7bn during the 1980s and clothes made abroad are now the norm.

In response, Japanese textiles and clothing companies are pressing the government to erect import barriers, but to little avail. "We want the government to limit imports. But they are hesitating," says Mr Nobuo Murakami, managing director of Kurabo, a large Osaka yarn and fabric maker. "Personally and in the industry as a whole, we are very dissatisfied with the government."

Mr Murakami has a lot to complain about. Kurabo specialises in cotton goods, a business that is hurting from increased imports more than synthetics: the manufacturing equipment is cheaper, and the skills and technology needed is simpler, so developing countries can more easily compete with industrialised rivals.

Japan's cotton-spinning capacity, for example, has fallen by a quarter since the mid-1980s and will halve over the next few years, says Mr Murakami. More than half the present 54 companies producing cotton in Japan will merge with rivals or go bust "soon", he says.

Even this projection might be optimistic. One textile industry observer at a Tokyo stockbroker said: "I don't see why cotton spinning in Japan should survive at all."

Mr Murakami draws a parallel with what happened in postwar Britain: Manchester, the capital of Britain's industrial north-west, was once known as King Cotton. Today, no large mills remain.

"We are like Manchester was," he said. "Under the hammer."

Two avenues offer some hope for the future: high fashion and high technology. As in the west, there is a small but prestigious business in high fashion garment making. Volumes are relatively small, less than 5 per cent of total garment sales, but margins are high. A few foreign investors have started to produce in Japan: Paul Smith, the UK menswear designer, manufacturers in 30 Japanese factories for its 78 Japanese shops.

High technology can also help Japan's synthetics manufacturers. They have invested heavily in research and development to create fabrics that, so far, cannot be copied elsewhere. The latest microfibre fabrics, those with filaments finer than silk, have been credited with sparking a revival in the high fashion fortunes of polyester. Toray's main Japanese plant, at Mishima in the shadow of Mount Fuji, is working at full capacity on microfibres.

But Japanese industrialists are aware that competitors will not let them retain their high-tech edge for long. "Within 10-20 years, Korea and Taiwan will catch up," admits Mr Hiroshi Maeda, managing director of Toray. "We are not confident we will always be able to stay ahead of these countries."

Remove roadblock to Russian reforms

PERSONAL VIEW

Six months ago, the Russian economy stood at the brink of hyperinflation. Today the stabilisation of the rouble and the end of high inflation are within reach. The near-hyperinflation at the end of last year was caused by virtually unrestrained central bank credit creation, amounting to an astonishing 40 per cent of gross domestic product in 1992. Since then, Mr Boris Fedorov, the new finance minister, has gradually been gaining control of macroeconomic policy.

In April, Mr Fedorov and the central bank governor, Mr Viktor Gerashchenko, signed an agreement committing the central bank to reduce the rate of credit creation to less than 10 per cent a month by December. Inflation is now running at about 15 per cent a month, down sharply from the near-hyperinflationary 30 per cent at the end of 1992.

This credit agreement reflects the growing political strength of the government relative to the congress, to which the central bank is responsible. The government has been strengthened by President Yeltsin's victory in the April referendum and indications that the constitutional convention is going his way.

The Group of Seven industrial countries' announcement in April of a $28bn aid package has also strengthened the reformers. In May, the Russian government and the International Monetary Fund agreed on budget and credit targets, which will mean $3bn in IMF loans should start flowing to Russia in July.

The budget deficit planned for the second half of 1993 is about 10 per cent of GNP. Of this, about 3 per cent will be financed by central bank credit and 7 per cent from abroad, including the IMF, World Bank and western governments. By borrowing abroad to finance the budget deficit, the government reduces the amount of money it has to print, so reducing inflationary pressures.

Implementation of these fiscal and credit policies will make low inflation possible, but they are not sufficient to stabilise the currency. To do that and reduce inflation rapidly, Russia should peg the exchange rate. The market value of the rouble would be supported by tight monetary and fiscal policies, and defended by the central bank.

Russian stabilisation will not succeed without delivery of already-committed western financial assistance. Part of the assistance is needed to finance the budget deficit. Part is needed to help defend the exchange rate: the $6bn stabilisation fund that the IMF controls should be made available on a rapid timetable, provided the Russians tighten credit and the budget. Similarly, an IMF standby loan of $4bn and a new World Bank loan of $1bn should be brought on line quickly.

Russian stabilisation will not succeed without delivery of already-committed western assistance

These western commitments should be reaffirmed to President Yeltsin at this week's Tokyo summit, though the actual flow of assistance would be conditional on Russia's implementation of the remaining steps for stabilisation.

The Russians could credibly commit to a stable, pegged exchange rate by September or October. They need several weeks to ensure that the credit agreement with the central bank is working; to adjust energy and other controlled prices before the start of the stabilisation programme; and to be reasonably sure that the budget deficit can be held to 5 per cent of GNP.

The Russians should go for it. But will they? Ironically, one thing that might hold them back is the view that things are going rather well now. So why rock the boat? The answer is that restructuring of the economy cannot be undertaken with annual inflation of more than 400 per cent. At some point, Russia will have to stabilise, and the circumstances are unlikely to be more favourable than now.

Unfortunately, the G-7 is threatening to put a roadblock in the way at this critical juncture. Recent reports suggest the Europeans and Japanese want to scale back sharply the $4bn "privatisation fund" for enterprise restructuring, proposed by the US to complement the Western aid package announced previously. Failure to make significant funding available for this purpose would set back the restructuring of industry and lower the chances for successful stabilisation.

No single policy by the West will make or break Russia's stabilisation. But, with the opportunity for Russia's success so high, we can only hope that both Russia and the G-7 recognise the historic opportunity when they meet in Tokyo.

Stanley Fischer and Jeffrey Sachs

The authors are professors of economics at MIT and Harvard, respectively. Fischer is former vice-president and chief economist of the World Bank. Sachs is an economic adviser to Russia's government.

OBSERVER

Clark versus Clarke

■ The debate over the rundown of Britain's coal industry seems to be getting rather personal. Neil Clarke, British Coal's chairman, has fallen out with one time ally Michael Clark, Tory MP for Rochford who used to chair the now disbanded energy committee.

The tiff dates back to a previous parliamentary coal debate at the end of March when the MP made some controversial comments about the motivations of some British Coal's managers in the runup to privatisation. The suggestion was that some of them were out to make the corporation as profitable as possible in the hope of benefiting personally in the event of it being privatised through a management buy out.

Hardly, a life and death matter. But letters were exchanged with chairman Clarke threatening to sue if the suggestions were repeated outside parliament. With MP Clark apparently unrepentant, the situation has since escalated with the chairman vetoing the MP's presence on a proposed day out to the Selby coalfield next September by the all party energy studies group.

"The chairman was concerned that Dr Clark might not be given the best of receptions in the coalfield", British Coal said yesterday.

Not good enough, say the MP's fellow energy students who are now refusing to visit Selby without him.

Low polls

■ If Britain's John Major thinks he has popularity problems, he should check with his Brazilian counterparts. Cecomsex, the public relations department of the army, has conducted a nationwide survey of people with no military links, and found that the country's most respected institution by far was the fire brigade, which won 52 per cent of public confidence, followed closely by generals (who else) and lifeguards.

Politicians lag far behind priests, businessmen and journalists and a mere 0.4 per cent of interviewees cited congress as the institution in which they most trust.

Yung love

■ The winds of change blowing through China have reached the byways of East Sussex. Larry Yung, the seriously rich son of Rong Yiren, China's vice president, has bought his first English country estate. He has snapped up Harold Macmillan's old family home of Birch Grove.

It is not known what Yung plans to do with the 14-bedroom mansion which has entertained statesmen ranging from Dwight Eisenhower

and John Kennedy to Charles de Gaulle and Nikita Kruschev. But he should not feel too out of place if he chooses to move in. After all, the eldest son of China's multi-millionaire vice president was born in the back of a Rolls Royce on the way to hospital in Shanghai.

Sadly for Yung, the 1949 Chinese revolution - or "liberation" as the Communists' like to call it - interrupted his family's high life. But since arriving in Hong Kong in 1978 he has made up for it. He has built up the local branch of China International Trust and *Investment Company into one of* the colony's leading conglomerates, and is now acquiring all the necessary trappings of a taipan.

Dead cert

■ Investors in business expansion schemes are often lured with promises of guaranteed returns. Now the Enlightened Tobacco Company is extending its refreshingly honest approach to marketing – its Death brand of cigarettes has a skull and crossbones logo and unambiguous health warnings – to financial services. The only guarantee attached to its BES launch, which closes on Friday August 13, is that successful applicants will receive a Death certificate.

First and last

■ Too old at 65? One of the unfortunate casualties of the break up of ICI is the group's house magazine – The Roundel, whose circulation is just under 100,000. ICI was barely two years old when Sir Alfred Mond, ICI's first chairman, sent word that he wanted his employees to have a magazine that would make them all feel they were a "band of brothers".

It started with the good wishes of King George VI, then the Duke of York, lasted nearly 70 years and, unusually for a house mag, had a mind of its own which is evident in its farewell issue. It was much admired by other in-house publications. In its hey-day it carried 132 pages, and spawned another 80 ICI periodicals.

Perhaps its downfall began when it was relaunched and readers were no longer required to pay towards the 70p cost of each copy. Whatever the reason, the magazine is no longer "appropriate for the needs of the new look ICI". Something else is planned which will communicate more directly with the workforce, says ICI.

Easy to chop – hard to build. Maybe a sign of the times?

Quality control

■ Does anyone know a high-level executive in a UK clearing bank named David who is married to someone called Nikki? If so could they contact Observer who is anxious to identify the source of the following anonymous extract from a bank's in-house magazine:

"From dawn on Monday to about 8pm Friday, we both know that I'll put 110 per cent into work, but Nikki also knows that at weekends it's the family time", explains David. "You have to accept in a role like this that quantity of family time is going to suffer, so you just recontract on the basis of quality."

Backwards

■ Oh calamity! - round way wrong printed were yesterday equations quadratic Observer's.

FINANCIAL TIMES
Tuesday July 6 1993

Ships, submarines and fighters cut in review of British defence spending

UK weapons projects cancelled

By David White, Defence Correspondent, in London

BROAD-RANGING cuts in warships, submarines and fighters and the cancellation of two weapons projects were announced by the UK government yesterday on publication of its annual defence white paper.

Mr Malcolm Rifkind, defence secretary, announced that Britain was shelving a £500m-plus plan for a new air defence missile system. British Aerospace was hoping to sell the US Patriot missile as part its bid for the contract against other international consortia.

The UK is also following the US and Germany in withdrawing from a new anti-tank weapon to be fired from multiple rocket launchers. Mr Rifkind said the job could be done by aircraft.

He confirmed that the navy would try to sell or lease its four new Upholder class conventionally powered submarines, which have cost more than £200m each. Work on the last vessel at Cammell Laird is virtually complete. Alternatively the submarines may be placed in storage. The fleet of frigates and destroyers is to be cut from 39 to "about 35".

■ **Strategy outlined for blitz on *defence costs*** Page 10
■ **Editorial Comment** Page 17

An RAF Tornado fighter squadron now patrolling Bosnian airspace from a base in Italy will be disbanded next April, increasing to 15 the number of squadrons cut since the government first announced its Options for Change programme three years ago.

Mr Rifkind said the measures reflected the decreasing likelihood of a major external threat. Amid Tory backbench warnings that cuts should go no further, he insisted that Britain's forces were sufficient to carry out all the tasks required of them.

"There is a clear operational justification for each of these reductions, which otherwise would not have been agreed," he *told the House of Commons.*

Other long-awaited measures, including the expected abandonment of plans for an air-launched nuclear missile, were put off, opening the government to attacks of "indecision" from the Labour opposition.

Mr Rifkind described the cuts as "modest but significant". Despite "lurid headlines", he said, spending targets remained the same as agreed with the Treasury last November, when plans over the next two years were reduced by £1.05bn ($1.57bn).

Mr Jack Dromey, national secretary of the Transport and General Workers' Union, said the measures would accelerate job losses, and warned of a "tide of redundancies" in the defence industry in the next six months.

However, Mr Rifkind said reductions were offset by enhancements including plans to buy "a substantial number" of *support helicopters. He* announced a £75m order for more than 400 ammunition-supply vehicles from the Cheshire-based Foden company.

He said the four-nation Eurofighter was now "secure". Figures published yesterday showed Britain's share of Eurofighter development costs at £3.46bn against £2.72bn a year ago, up 27 per cent.

The army, the focus of recent controversy about the size of cuts, is the service least affected by the measures.

Defending Our Future, Statement on the Defence Estimates 1993. HMSO £9.00. UK Defence Statistics, 1993 Edition, £7.95.

THE LEX COLUMN

Dangerous liaisons

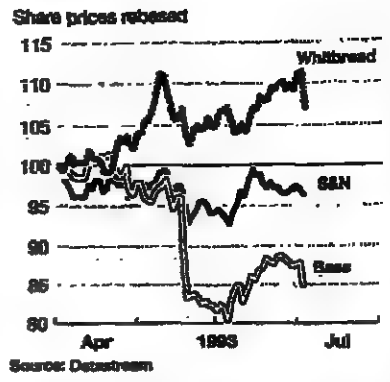
BAe's rapid exit from discussions with GEC shows its sensitivity to institutional unease. The new management's top priority is said to be persuading investors that it is capable of running the business without producing nasty surprises. So while behind-the-scenes fireside chats with Lord Weinstock were apparently just about acceptable, a public carve-up of the UK defence industry is not. Still, as any talks about a deal as large as this were more or less bound to leak at some point, one wonders why BAe got involved in the first place. If the company's focus is genuinely on proving it has a safe pair of hands, it has little need of precipitate talks with GEC – especially as its business and share price are recovering nicely. It is to be hoped that Mr John Cahill is not in too much of a hurry to write himself into the history books as BAe's great helmsman.

In the longer term, there are areas where it would make sense for the two companies to collaborate. BAe makes missiles while GEC Marconi makes the electronics to go into them. If the currently proposed joint venture between BAe Dynamics and Matra goes ahead, GEC would be a logical third partner. Yet a full scale merger of the two companies is more questionable. Such a vertically integrated company would have trouble selling components to other manufacturers, as Marconi currently does. BAe is also able to buy from a wide range of component makers. GEC has always been more enthusiastic about a full scale tie-up, perhaps because it covets BAe's lead contractor status. Or maybe Lord Weinstock merely wants back those parts of the UK aircraft business he lost when the aerospace industry was nationalised in 1977.

FT-SE Index: 2838.5 (-19.2)

UK brewers

Share prices rebased



Source: Datastream

Scottish & Newcastle

At first sight, Scottish & Newcastle seems to be managing the beer price war quite well. Due to its regional concentration in Scotland and the north of England, it is not really a target of Bass's attempts to gain market share. Due to its brand portfolio, it has managed an impressive 8 per cent volume increase in the off-trade. If the beer market grows more difficult, S&N has its leisure side to fall back on. Pontin's appears to be recovering from a very bad summer last year; Center Parcs continues, against all the odds, to defy recession.

The question, though, is whether the company's bets are too well hedged. S&N is determined to remain in brewing – its £14m restructuring charge relates to cost savings in distribution rather than removal of capacity. But S&N ranks fifth in terms of UK brewers, which is not an easy starting point for a significant increase in national market share. Similarly, S&N's relatively weak presence in the south of England may restrain the development both of its brands and pub retailing, the latter being a weak spot in the annual results. Whitbread, which has focused with much greater clarity on brand development and retailing, has seen its share price outperform since beer discounting intensified in the spring.

S&N must be running some risks by opening another Center Parc in France at this stage in the economic cycle. But assuming there are no serious setbacks, its leisure business could soon become the largest single contributor to operating profits as well as the largest division in terms of operating assets. Its strategy will then look even more like one of trying to be all things to all people. Such an approach may appear safe: it also makes for a dull share price.

UK economy

If the Treasury's panel of forecasters is really wise, the department was certainly clever to think of bringing it together. Between Patrick Minford, who thinks the PSBR is entirely cyclical, and Wynne Godley, who thinks it largely structural, there is plenty of room to divide and rule. If there is a semblance of consensus in yesterday's report, it is that inflationary pressures remain subdued enough to allow further interest rate cuts. That would certainly come in useful when, as four of the panel point out, further fiscal tightening is also necessary.

Such sentiments may only increase the pressure for lower rates before November's budget. Yesterday's money supply figures show some pick-up in the MO measure for June but the expansion of consumer credit slackened in May and recent data is consistent with a slowdown in second-quarter growth. Sterling is strong. The government has to face the Christchurch by-election and the Tory party conference before it even begins to think seriously about the Budget. Mr Clarke will just have to hope that there is some scope left by then for lower interest rates to ease the fiscal pain.

Japanese warrants

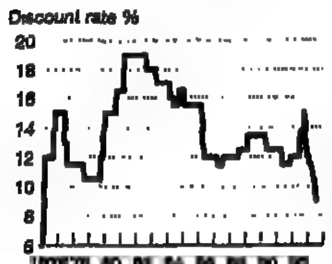
A flurry of equity warrant bonds from Japanese companies this week will doubtless stir nostalgia among investment bankers. The real wonder, though, is that this particular item of late 1980s excess has not caused more of a hangover in the capital markets. Around $75bn of warrant and convertible bonds issued by Japanese companies in 1988-89 fall due for redemption this year. Since most of the warrants and conversion rights will expire worthless, cash to repay bondholders will have to be found elsewhere. Yet so far the task of refinancing has caused barely a ripple.

Whether the rest of the year will be as smooth remains an open question. The ability of Japanese companies to repay bonds out of cash flow – by running down stocks going into recession, for example – must be limited. All the more so if they anticipate a recovery in their home market. The brunt of the burden may fall on the capital markets. But international fund managers happy to buy equity-linked paper when the Japanese stock market was in a trough – as they did in the early months of this year – may be less enthusiastic now share prices have rallied.

The companies can always issue straight bonds or borrow from banks instead, but only at the cost of higher interest payments. Many are already struggling to make a decent return on marginal investments funded with what must have looked like virtually free equity. The real cost of the equity warrant binge will be seen, not in the Eurobond market, but in the results of the companies themselves.

Italy

Discount rate %



Source: Datastream

Italy cuts its discount rate after pay deal

Continued from Page 1

leadership has accepted that wages cannot match inflation and that increases must be linked to productivity.

This endorses the parlous state of Italy's public finances and company profitability. In the current recession generous (and inflationary) wage settlements are out of the question.

Another union concession has *been to drop opposition to* the principle of temporary employment and lower starting salaries. Acceptance of lower starting salaries is the first step towards breaking down labour rigidities.

Temporary employment is scarcely a breakthrough, however, because the agreement is surrounded by many caveats and much potential bureaucracy.

In return for union concessions, the government has agreed to speed benefits applied to workers who are temporarily laid off and to extend lay-off payments to small companies. Until now, only employees in large companies have benefited.

Despite ultimatums, employers did not wish to be viewed as responsible for sabotaging the agreement and undermining the Ciampi government. In return, the old centralised hegemony of the three trades union confederations has been weakened.

Poor telecoms a barrier to exports in eastern Europe

By Andrew Adonis in Berlin

COMPANIES in eastern Europe and Russia see poor telecommunications as their main barrier to exports, according to an international survey published yesterday.

Among 800 companies in six countries surveyed – Russia, Lithuania, Hungary, Romania, Poland and Latvia – inadequate telecommunications were a more frequent source of complaint than transport links or border crossings according to the results unveiled at an FT conference by the Organisation for Economic Co-operation and Development.

Among Polish companies, telecommunications were rated the single greatest domestic barrier to exports, more significant than exchange rates, the instability of financial regulation, and other infrastructure shortcomings.

Speakers at the FT conference on telecommunications in central and eastern Europe, held in Berlin, claimed that investment was falling far short of that required to provide a basic service.

Mr Andrés Bande, president of Ameritech International, the US operator, was highly critical of the World Bank in its support for telecommunications investment in the region. He estimated that $18.6bn a year was needed over the next decade to take the number of phone lines from 12 per 100 people to the current level in Spain for example, – 35 lines per 100. However, in 1991 only $2.6bn was invested, and his projections for the rest of the decade were "way short" of the target.

Mr Alexander Aleshin, Russia's first deputy minister for telecommunications, said Russia wanted to double its number of exchange lines by the year 2000. He stressed the problems created by inadequate revenue from fees, despite the deregulation of prices.

Mr Krzysztof Kilian, Poland's minister of telecommunications, said his government wanted to reform telecommunication laws to encourage foreign investment. But he ruled out the introduction of competition for trunk lines, and stressed the political problems of privatisation and revised tariff structures needed to make investment attractive.

Mr Wolfgang Bötsch, Germany's minister of posts and telecommunications, said privatisation of Deutsche Telekom, legislation for which is to be introduced in German parliament this year, was needed in part to leave Telekom "completely free in the international sphere".

● Privatisation of Deutsche Telekom is likely to take place in "four or five steps" beginning in late 1995 or 1996, Mr Bötsch said. He wants network modernisation to be a prime beneficiary from the sale, but he had not discussed this with Mr Theo Waigel, the finance minister.

China's economic tsar

Continued from Page 1

paucity of talent at the top that one man is being invested with such broad responsibilities.

Not least of his problems are the high expectations attached to confirmation of his role as China's economic tsar. Indeed, Beijing's propaganda mill wasted little time trumpeting his qualities.

Xinhua, the Chinese news agency, hailed his appointment and said he was noted for his "decisive handling of affairs". His official biography speaks of a "learned man" who excels in economics and technological matters.

Mr Zhu, who was born in Changsha near Mao Zedong's birthplace, would not need reminding of the fickleness of Chinese politics, having spent years in the wilderness in the 1960s and 1970s after criticising government economic policy.

China's new central bank governor is a former mayor and party boss of Shanghai, where he earned a reputation as a bold reformist.

Fluent in English, he has impressed foreign visitors. He has also travelled extensively – for a Chinese leader – and has visited Europe, America and Australia in the past few years.

He is a protégé of Mr Deng Xiaoping, China's senior leader, who last year instructed officials to speed economic reform. But Mr Zhu is also known to have been urging for some time tougher action to restrain the economy.

German rate hopes rise

Continued from Page 1

2.7 per cent seasonally adjusted annual rate in the past three months.

But the Bundesbank president also appealed to Bonn to honour its pledges to reduce state spending next year – and to carry on cutting in future.

"It is important for everyone that the planned reductions will be translated into reality," Mr Helmut Schlesinger told bankers in Bavaria.

The central bank had cut interest rates last week on the understanding that Bonn's proposals for a DM25bn ($14.7bn) savings package next year would be carried through, he stressed.

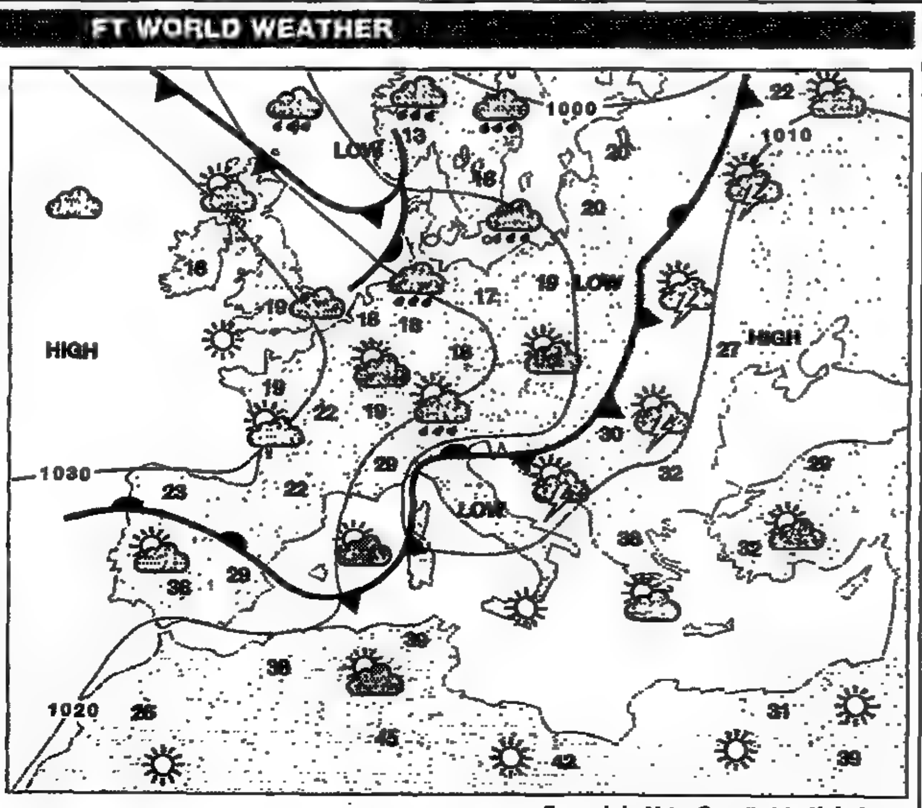
FT WORLD WEATHER

Europe today

A cold front moving toward the Alpine countries will separate cool air over north-western Europe from the hot air over the southern countries. Around the frontal zone in the Alps and the northern Balkan countries, thundery showers will occur. A developing depression in the Gulf of Genoa will move to the east causing gusty northerly winds in the south-east of France, with clear conditions on the Cote d'Azur. In all of southern Europe it will be another hot and mainly sunny day with inland temperatures locally over 35C. An active depression over Scandinavia will cause unsettled conditions in the north of Europe, with cloudiness and rain as far south as northern Scotland and northern Germany.

Five-day forecast

The low pressure near Genoa will move to the east, reaching Turkey by Thursday, causing thundery showers followed by some cooling in the south-eastern countries. In the south-west, sunny, hot and dry conditions will persist. In the north of Europe it will stay cool and changeable. However, on Thursday conditions will improve in the Low Countries and Germany as winds from the south-west develop.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Berlin	shower	18	Chicago	fair	30	Faro	sun	29	Majorca	sun	33	Rangoon	cloudy	31
	Celsius		Bermuda	cloudy	29	Cologne	cloudy	19	Frankfurt	fair	21	Malta	fair	37	Reykjavik	fair	10
Abu Dhabi	sun	40	Birmingham	fair	19	Copenhagen	rain	17	Geneva	windy	20	Manchester	fair	17	Riyadh	fair	41
Accra	thund	28	Bogota	shower	18	D' Salaam	cloudy	29	Glasgow	cloudy	17	Manila	cloudy	33	Rome	fair	31
Algiers	fair	35	Bombay	rain	30	Dakar	fair	30	Hamburg	shower	17	Melbourne	shower	13	S' Francisco	sun	30
Amsterdam	fair	18	Bordeaux	sun	26	Dallas	thund	33	Helsinki	fair	19	Mexico City	thund	22	Seoul	fair	30
Athens	sun	33	Brussels	fair	20	Darwin	sun	31	Hong Kong	drzzl	31	Miami	thund	32	Singapore	thund	31
Bangkok	fair	36	Budapest	thund	26	Delhi	cloudy	36	Honolulu	fair	31	Milan	fair	29	Stockholm	shower	19
Barcelona	sun	29	Buenos Aires	fair	13	Dubai	sun	40	Isle of Man	fair	15	Montreal	shower	28	Strasbourg	fair	21
Beijing	thund	34	Cairo	sun	39	Dublin	fair	19	Istanbul	fair	30	Moscow	thund	22	Sydney	rain	18
Belfast	cloudy	17	Cape Town	windy	19	Dubrovnik	fair	33	Jersey	fair	17	Munich	shower	17	Tel Aviv	sun	36
Belgrade	thund	32	Caracas	fair	30	Edinburgh	fair	18	Karachi	fair	37	Nairobi	shower	21	Tokyo	shower	26
									Kuwait	sun	42	Naples	sun	32	Toronto	shower	28
									La Paz	drzzl	16	Nassau	shower	32	Tunis	fair	39
									Las Palmas	fair	26	New York	fair	29	Vancouver	fair	19
									Lisbon	sun	33	Nice	sun	29	Venice	thund	28
									London	sun	20	Nicosia	sun	33	Vienna	thund	22
									Los Angeles	fair	24	Oslo	fair	20	Warsaw	fair	19
									Luxembourg	sun	20	Paris	fair	22	Washington	fair	38
									Lyon	windy	20	Perth	fair	18	Wellington	shower	10
									Madeira	cloudy	25	Prague	rain	17	Winnipeg	cloudy	17
									Madrid	sun	33	R' de Janeiro	cloudy	24	Zurich	cloudy	19

FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

Amic forges alliance with Daewoo

Anglo American Industrial Corporation (Amic) of South Africa has forged an alliance with the South Korean Daewoo group to establish a 50-50 joint venture to make high-value consumer goods and exploit international technology markets. Anglo has traditionally found its partners in Europe. Page 20

Rhône-Poulenc in stake sell-off

Rhône-Poulenc, France's state-controlled chemicals company, is selling its 35 per cent stake in Roussel-UCLAF, the specialist chemicals concern, for FFr563 a share – valuing the holding at FFr4.39bn. The sale should reduce Rhône-Poulenc's debt before the government's privatisation programme. Page 20

Chinese listing in Hong Kong

Shanghai Petrochemical, the largest of the nine Chinese state-owned companies to seek a stock market listing in Hong Kong, has come to the market for up to HK$2.72bn ($350m) in an issue which will see 30 per cent of the company listed internationally. Page 22

Property group faces fee review

A management agreement between Great Portland Estates, the UK property company, and its chairman is likely to be scrapped in the light of the Cadbury report on corporate governance. In its last financial year Great Portland paid £2.97m ($4.5m) in management fees to a company fully owned by its chairman and chief executive. Page 24

UK banks try debt management

UK banks are still weighed down by a mass of corporate debt from the 1980s. In the US, many banks have either created operations to deal with this, leaving the bank unburdened by the debt or they have approached the secondary loan markets. Two UK banks – TSB Group and Royal Bank of Scotland – have gone for the former, establishing separate loan services units. Page 25

Coffee meeting leaves bitter taste

Latin American coffee producers, who account for almost two thirds of world production, are to retain 20 per cent of their exports from the start of October. It follows the collapse in March of talks to renew the international coffee agreement, which expires at the end of September. Page 26

New Zealand hits a high

The New Zealand stock exchange closed at a three-year high, gaining 16.46 to 1,715.52 in high turnover of NZ$38.2m. Meanwhile, in Japan, the Nikkei posted marginal gains on the lowest volume since January 18 as investors remained inactive. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Paris Rescmpt	377	-	12
Rises				Pinault Printmp	720	-	27
GEHE	351	+	8.5	SILIC	781	-	24
Lufthansa Prf	114.8	+	3.5	UFB Locabail	338	-	9.5
Falls				**TOKYO (Yen)**			
Altana Ind	506.2	-	8.7	**Rises**			
Badenwerk	365	-	8	Fujirebio	1300	+	150
Berliner	281.5	-	9.5	M'bishi Petchem	744	+	24
Volkswagen Prf	290.7	-	5.8	Rohm	3100	+	630
PARIS (FFr)				**Falls**			
Rises				Daimaru Inc	641	-	39
Docks de Frnce	507	+	10.8	Fuji Fire & Mar	659	-	34
Falls				Janome Sew Mch	390	-	31
Fonc Lyonnaise	613	-	45				

New York closed.

LONDON (Pence)				Lynx Hldgs	34	+	3
Rises				Stonehill	26	+	3
Bluebird Toys	318	+	25	Vega	161	+	12
Carclo Eng	224	+	10	Westland	214	+	24
Chartwell	37	+	12	Whitecroft	80	+	5
Colorgen	33	+	5	**Falls**			
Colorvision	106	+	8	Bespak	463	-	14
Coutts Cons	51	+	5	Hunterprint	45	-	5
Creighton's	170	+	14	Inchcape	557	-	13
Greyc't 9½% Pf	51¼	+	17¼	Ranco Oil	112	-	5
Hartstone	45	+	4	Sainsbury (J)	456	-	12
Honeysuckle	64	+	7	Tilbury Dougls	593	-	17
Instem	157	+	12				
Kalamazoo	68	+	4½				
Lee (Arthur)	171	+	10				

Siemens Nixdorf sees no advance

By Christopher Parkes in Frankfurt

STIFF price competition and the appreciation of the D-Mark have dashed hopes of improved results this year from Siemens Nixdorf (SNI), the Siemens group's loss-making computer subsidiary.

In spite of cost-cutting and a 50 per cent increase in unit sales of hardware, losses in the 12 months to the end of September were expected to match last year's DM513m ($303.5m) deficit, Mr Heinrich von Pierer, group chairman, said yesterday.

He estimated the combined effects of currency movements and price-cutting would cut DM1bn from SNI's bottom line this year.

Although overall group prospects had been revised downwards, the company still expected net profits to match last year's DM1.95bn, Mr von Pierer said.

Mr Karl-Hermann Baumann, finance director, hinted that the dividend would be held at DM13.

Operating results would decline in the full year, and the value of incoming orders would probably drop by 1 per cent to DM84bn.

Group sales, meanwhile, would rise by about 4 per cent to DM81bn. Initial forecasts, issued in January, were probably too optimistic, Mr von Pierer admitted.

At the start of the year he had expected new orders growth of up to 2 per cent and a 7 per cent increase in turnover.

Reviewing the first eight months of the financial year, Mr von Pierer said group orders had fallen almost 6 per cent, while turnover had risen 2 per cent. Incoming domestic orders fell 14 per cent, while foreign demand rose 1 per cent.

Meanwhile, the workforce had been cut by 11,000, or 3 per cent. More than 2,000 more jobs would go by the end of the financial year, leaving a total workforce of less than 400,000.

The rationalisation of management and administration should reduce costs by as much as 30 per cent in the next few years.

Mr von Pierer claimed restructuring in semiconductors, another drain on profits, was showing results, bolstered by increased demand for components.

The group's drive into south-east Asia was also yielding fruit. Demand for Siemens' mainstream products and skills in telecommunications, power generation and rail transport systems had so far this year yielded orders worth DM6bn compared with DM3.5bn for the whole of the previous financial year.

■ Talks may resume on combining defence interests ■ Relationship remains 'close'

Publicity killed GEC/BAe merger talks

By Tony Jackson in London

TALKS between the General Electric Company and British Aerospace on combining their defence interests were called off by BAe at the weekend because of press publicity, it emerged yesterday.

In a joint statement, the two UK companies said: "Discussions on fuller collaboration have ceased". However, neither ruled out the possibility of talks being resumed. BAe played down the significance of the talks. Their disclosure in *The Sunday Times* had put it in "a messy situation".

GEC, which had made no secret of its desire to do a deal, attacked the weekend coverage as "irresponsible and destructive".

The joint statement said: "As the two major defence contractors in the United Kingdom, British Aerospace and GEC have a close commercial relationship ... In recent months, the two companies explored, on a preliminary basis, the possibility of fuller collaboration". Despite the cessation of talks, "the relationship between the two companies remains close".

It is believed that the deal being discussed would have involved putting all or part of their defence interests into a joint venture, of the type which GEC has set up with Alsthom of France in power generation.

BAe said conversations between the two companies had been going on since BAe was privatised in 1985. "This certainly wasn't the first time, and it probably won't be the last." However, the restructuring being undergone by BAe, including the sale of several businesses, meant a deal with GEC was not in shareholders' interests at present.

Separately, the UK Ministry of Defence, which has occasionally opposed GEC's expansion in the past, said it was unlikely to object to a deal between the two companies.

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Balance changes in a dialogue of unequals

YESTERDAY'S news of the breakdown of joint venture talks between GEC and British Aerospace was accompanied by a sharp reminder of what prompted them in the first place. As yesterday's White Paper on defence spending shows, times are getting steadily tougher in the defence industry.

As the UK's two dominant defence contractors, GEC and BAe both compete and co-operate. They were rivals for a £500m-plus ($755m-plus) mid-range surface to air missile contract cancelled yesterday. At the same time, they are jointly bidding for several defence contracts in international markets.

It is unlikely that Sunday's breakdown of talks – precipitated by disclosure in the weekend press – is the end of the matter. The two companies have held occasional discussions ever since BAe was privatised in 1985. The basic logic is clear. BAe makes warplanes and missiles, while GEC supplies them with sophisticated electronics. The relationship, as BAe conceded yesterday, is symbiotic.

In one sense, BAe might be thought the senior partner. Its defence business is at least as large as GEC's. It is also a prime contractor with a massive order book, especially to Saudi Arabia. In all important respects, GEC is merely BAe's supplier.

But in reality, the two companies are far from being equals. After prolonged upheaval, BAe was brought last year to a point of near-collapse, which at one point saw its stock market value slump to a mere £426m. Since then, its share price has more than tripled, chiefly because of energetic restructuring by the new chairman, Mr John Cahill. Nevertheless, its value is still only one sixth that of GEC.

Given the well-known predatory instincts of GEC's boss Lord Weinstock, it is thus a measure of BAe's increased self-confidence that it was prepared to talk to GEC at all. Indeed, it seems likely that the underlying reason for the breakdown of talks was not the unwelcome publicity, but a feeling by BAe that it was time to back off and start afresh from a position of greater strength.

In recent months, runs the argument, BAE has not merely seen a huge appreciation in its share price. It has also made great strides in its corporate strategy, which will ultimately involve shedding peripheral businesses such as motors and property and focusing on its traditional business of defence. The further BAe progresses along this path, the harder it will be to sell to shareholders the idea of hiving the chief business off into a joint venture. Also, by implication, the longer BAe waits, the better the terms it can extract from GEC.

Whether Lord Weinstock sees it in that way is another matter. When BAe was at its most vulnerable last year he went out of his way to tell journalists how much he wanted to do a deal. As a master of the long game, he is not known for overpaying.

On the other hand, putting together a dominant force in UK defence has been his central ambition for many years. Thwarted in his first bid for Plessey, he was obliged to share the spoils with Siemens of Germany. When he bought Ferranti's radar business, he was induced to pay over the odds. He is now in the galling position of knowing that the Ministry of Defence, which opposed his ambitions for much of the 1980s, is now on his side. If BAe returns to the table, he will find it hard to walk away.

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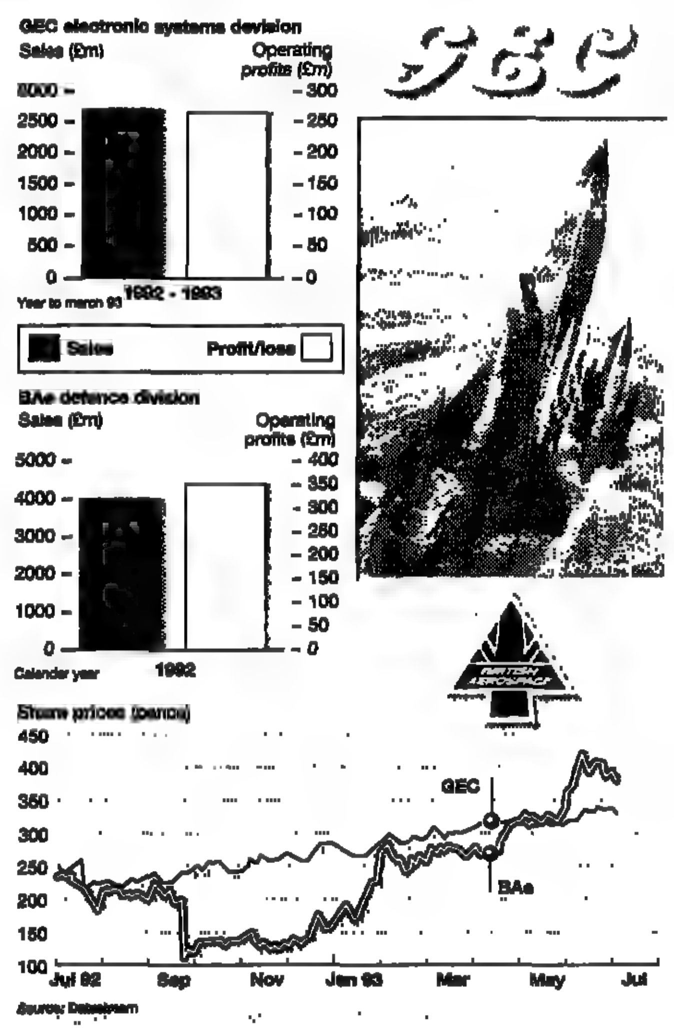

Murdoch in push for Better Life

By Lynne O'Donnell in Beijing

MR RUPERT Murdoch is planning to buy a substantial stake in Better Life, a Shanghai-based lifestyle magazine.

According to the Chinese official Business Weekly newspaper, Mr Murdoch's News Corporation is discussing the purchase with China's State Media and Publication Administration.

Mr Hu Xiaosheng, editor-in-chief of Better Life, told the paper that Mr Murdoch's bid was "highly likely" to be given the go-ahead, but the Chinese government would probably retain 51 per cent to ensure it controlled editorial policy.

The government has loosened its grip on magazines and newspapers. Should the talks prove successful, Mr Murdoch would become one of the few foreign joint venture partners in the Chinese media.

A successful deal on Better Life could alleviate some of the disappointment Mr Murdoch has experienced with his HK$1.85bn (US$239m) bid for 22 per cent of Television Broadcasts of Hong Kong.

Economic reform in China has brought an explosion of popular tabloid-style newspapers and magazines, though they remain subject to scrutiny by the Communist Party's propaganda department.

With 800 new publications approved by March this year, China now has about 1,700 daily newspapers and 7,000 periodicals. Circulations of stalwart party organs such as the People's Daily have been falling rapidly in recent years. Of the 10 or so leading national daily newspapers, only the Economic Daily increased sales last year.

Last week, the Propaganda Ministry cut all state subsidies to the big newspapers, even though they maintain their role as party mouthpieces, and ordered them to reorganise their finances. With the Chinese government routinely trumpeting the success of campaigns to wipe out illiteracy, among its 1.2bn people, Mr Murdoch has obviously set his sights on the world's greatest potential readership.

Business Weekly said Better Life was already involved in exchanges with News Corporation. It is understood that Mr Murdoch's involvement could provide the money for a shift from bi-monthly to monthly publication and for the introduction of an overseas edition.

Spain arranges Ecu4bn borrowing facility

By Sara Webb in London

THE Kingdom of Spain is putting in place an Ecu4bn ($4.6bn) borrowing facility, which bankers claim is the largest financing to be put together by any European government this year.

NatWest Capital Markets , which is arranging the multi-currency revolving credit facility, said the deal was being put together "to reflect changes to the ways in which European Community governments fund themselves following the signing of the Maastricht Treaty".

It added that "under the terms of the Treaty, the Bank of Spain will, from 1 January 1994, be forbidden to provide credit lines to the Treasury of the Kingdom of Spain.

"The three-year facility is designed to replace those credit lines."

"This is not a foreign exchange support system, but it is required and it will be drawn on like an overdraft facility," said one banker.

NatWest Capital Markets has been in discussions with other European sovereign borrowers, including Italy, about structuring similar deals.

Last September, the UK Treasury announced a Ecu10bn multi-currency funding programme, which was aimed at supporting sterling in the foreign exchange market and funding government spending.

The financing was seen as "emergency funding" at a time when sterling was under considerable pressure in the foreign exchange market.

By contrast, the Kingdom of Spain's deal is not intended for currency support, but as a means of establishing long-term liquidity.

NatWest Capital Markets said the deal has been fully underwritten by a group consisting of: ABN AMRO Bank, Banco Bilbao Vizcaya, Citibank, Dresdner Bank, National Westminster Bank, Société Générale, and Sumitomo Bank.

"Banks are screaming out for quality assets and we feel they will support this" said one banker involved in the deal.

The Kingdom of Spain has a double A credit rating.

The deal will probably be signed in September and is unlikely to be drawn before year-end, bankers admitted.

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National Power buys into US

By David Lascelles, Resources Editor

NATIONAL Power, the UK's largest power generator, is to take its biggest step overseas to date with a $160m acquisition in the US.

The company has agreed to buy Transco Energy Ventures Company (Tevco) which has interests in seven power plants in operation or under construction, mainly in the south-eastern US.

Tevco is a subsidiary of Transco Energy Company, a Texas-based gas pipeline company.

Mr John Baker, National Power's chief executive, said yesterday that the acquisition was part of his company's plans to expand into selected overseas markets. "Tevco will provide us with an experienced US-based project development capability, and access to the buoyant US market for independent power generation with its opportunities for profitable investment."

Tevco develops, builds and owns shares in power plants. It has equity interests in the equivalent of 558MW of generating capacity, out of a total 1,750MW at the seven plants. It is also involved in plans for a further 2,000MW of capacity.

Other energy-related businesses include a gas pipeline, natural gas vehicle fuelling services and energy consulting services.

Last year, Tevco made net profits of $2.6m on revenues of $35.3m and its capital spending totalled $8.1m.

Mr Baker said: "This is an important strategic move, recognising National Power's reducing market share and limited opportunities for growth in the UK."

He said the company's long-term goal was to invest £1bn overseas by the end of the decade.

National Power also announced yesterday that it was looking at the development of a £1.3bn coal-fired power station in India. It will undertake a feasibility study with Ashok Leyland on a 1,000MW station in Andra Pradesh, its second coal-fired station project in that country.

The deregulation of the UK electricity market has weakened the domination of the market by National Power and its main rival PowerGen. Both companies now view overseas expansion as the main avenue for future growth.

PowerGen recently announced that it was leading a consortium to buy an east German coal mine and related power generating plant.

Amic, Daewoo establish white goods joint venture

By Philip Gawith in Johannesburg

ANGLO AMERICAN Industrial Corporation (Amic) of South Africa and the South Korean Daewoo group have established a 50-50 joint venture to manufacture high-value consumer goods and exploit international technology markets.

Mr Leslie Boyd, chairman of Amic, the industrial arm of the Anglo American group, said the deal with Daewoo was part of Amic's strategy to reduce its dependence on cyclical commodity markets.

The alliance with an Asian partner is an important one for Anglo, which has traditionally found its partners in Europe.

Daewoo-Amic, the new company, will make an initial investment of about R20m ($6m) to take a 29.99 per cent stake in Gentech, a company that manufactures and distributes household electrical appliances. The basis for the venture includes growth potential in the southern African white goods market and Daewoo's extensive technology base and exposure to consumer durables.

The establishment by the new company of a local colour picture tube (CPT) manufacturing facility for televisions is also being considered.

Giving the reasons for the Daewoo tie-up, Mr Boyd said Amic needed Daewoo's specific technology and international marketing skills to establish itself "boldly in downstream consumer industries".

Daewoo saw South Africa as a developing consumer market, and needed Anglo's financial partnership and operating skills.

South African companies suffered during the sanctions era from the lack of transfer of technology. Anglo often said it was seeking joint venture partners.

Part of Amic's reason for seeking a Korean partner was the idea that Korean investors were more willing to accept the risks of the South African environment than US, Japanese or European investors.

Korea is also felt to be better attuned to the needs of developing countries, particularly regarding how to use labour-intensive manufacturing methods without sacrificing international competitiveness.

Altech, Amic's electronics associate, has a tie-up with the French group, Alcatel, while Samcor, the motor manufacturer in which Amic has a 19 per cent stake, has close ties with Ford.

More job cuts at Groupe Bull

By Alice Rawsthorn in Paris

GROUPE BULL, the troubled French computer company, plans to cut its worldwide workforce by 6,500 by the end of next year in the hope of returning to profit in 1995.

The bulk of the job losses, which involve reducing Bull's 35,175 workforce by 18 per cent, will come from operations outside France. Bull, a state-controlled company targeted for privatisation by the new centre-right government, plans to cut its domestic workforce by 2,850 from the present level of 13,600.

Bull said the cuts would come "across the board in every country and in every area of activity including research, manufacturing and marketing". It has already implemented more than 1,000 of the 6,500 job losses since the beginning of this year.

The latest round of rationalisation follows years of cost-cutting by Bull, which has been hit badly by the difficulties of the international computer industry. The group has shed staff steadily since 1988, when its worldwide workforce peaked at 45,500.

However, the cuts have failed to resolve Bull's financial problems. It recently reported a net loss of FFr4.7bn ($820m) for 1992, after losing FFr3.3bn in 1991 and FFr6.8bn in 1990. The group's financial condition is so precarious that analysts were shocked to see its inclusion in the government's list of privatisation candidates. Bull is seen as one of the longer term contenders for sale to the private sector.

Mr Gérard Longuet, industry minister, has made clear that the new government will take a tough line on lossmaking state companies, such as Bull. He recently said he expected Bull to stem its losses, and warned he would be much more stringent about injecting new capital than his predecessors.

Bull said it hoped to return to the black "as soon as possible", and that break-even by 1995 was the present target.

Ruhrgas feels impact of recession

By Ariane Genillard in Bonn

RUHRGAS, western Germany's leading natural gas importer and distributor, started feeling the impact of the domestic recession this year as first-half sales dropped by DM600m to DM6.3bn ($3.72bn).

In volume terms, gas deliveries fell 1.4 per cent for the six months to 290.5bnkWh.

The company, whose shareholders include Bergmann, a mining and machinery group with 35 per cent, the German subsidiary of British Petroleum with 25 per cent and Brigitta Erdgas und Erdö, Germany's largest natural gas producer, also with 25 per cent, said the drop in sales stemmed mostly from a fall in the industrial use of gas because of the slowdown in the German economy.

Mr Klaus Liesen, chairman of the board, said he remained confident that sales for the year would reach their 1992 level.

UK brewing group hit by charge for shake-up

By Andrew Bolger in London

THE £13.9m ($20.85m) cost of a shake-up in its beer division reduced annual profits at Scottish & Newcastle, the UK brewing and leisure group.

The division's reorganisation, already announced, will result in the loss of 600 jobs, 10 per cent of the workforce.

Group pre-tax profits fell 13 per cent to £192.5m. The company made £6.2m less on property disposals. Turnover rose marginally from £1.49bn to £1.51bn in the year to May 2. Excluding exceptional items, profits were down 4 per cent.

Bad debts of £13.9m, compared with £12.6m, contributed to a fall in the beer division's operating profits to £92m from £99m.

Good results by Center Parcs helped the leisure division increase operating profits by 4.6 per cent to £78m.

A proposed final dividend of 11.07p, up from 10.59p, gives a total for the year of 16.83p, up from 16.1p, an increase of 4.5 per cent.

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Control of Queens Moat changes hands

By Michael Skapinker, Leisure Industries Correspondent

MR ANDREW Coppel yesterday took formal control of Queens Moat Houses, the troubled UK hotels group, and announced the resignation of most of the board.

Only three of the 16 directors who were on the board when the group's shares were suspended in March are to remain.

The group said yesterday that Mr John Bairstow, the chairman, is relinquishing his executive position but will remain non-executive chairman until a replacement is found. Mr Coppel said he hoped to have a new part-time chairman by the end of October, when the group presents its plan to creditor banks.

Reforms confuse investor equation

Political factors make calculations tricky, writes Paul Abrahams

THE PRICE set yesterday by Rhône-Poulenc for the shares it owns in Roussel-Uclaf sets a tricky problem for investors.

At FFr563 per share, the price is a little below the all-time peak of FFr575, but nonetheless up 30 per cent since January. Investors must decide whether the price for France's third-largest pharmaceuticals group is fair.

The decision by Rhône-Poulenc to sell its 35 per cent stake should improve both liquidity and investor interest in Roussel. Hoechst, the German group, controls 54.5 per cent of Roussel, which last year generated pre-tax profits of FFr722m ($126.66m) on sales of FFr14.81bn.

Roussel, whose operations involve pharmaceuticals, fine chemicals, agrochemicals and veterinary products, has been lightly followed by the investment community. Only 0.5 per cent of shares were quoted.

Analysts' calculations have been complicated by the increasingly stormy environment for the drugs industry. All pharmaceuticals groups are struggling after a series of government cost-containment measures which are reducing sales volumes and prices around the globe.

In Europe, for example, during the first four months this year, sales in the top seven drugs markets increased only 1.4 per cent, according to IMS International, the specialist market research company.

The industry is likely to be further destabilised by reforms in the US, the world's biggest market, and France, the third-largest.

The US reforms represent the industry's most significant worry, but any changes announced by President Bill Clinton are likely to have a minimal impact on Roussel, says Mr Edouard Sakiz, the group's president. He says 4 per cent of healthcare's FFr8.5bn sales are in North America.

Meanwhile, the German reforms introduced in January have hit the company, admits Mr Sakiz. Broker JP Morgan, which is advising during the sale, estimates about 4 per cent of drugs sales are in Germany.

In contrast, the healthcare reforms in Italy, where Roussel-Uclaf generates about 12 per cent of its turnover, have hit both turnover and profitability, admits Mr Sakiz. However, he says cost-reduction measures should allow it to achieve the same profits next year as last.

But it is in France, where 37 per cent of Roussel's healthcare sales are located, that the company is probably most vulnerable to reforms.

Since the sale was announced, the French government has revealed a healthcare package designed to save FFr32.bn. The first stage includes a decision to cut the amount the government reimburses patients for their medicines.

Mr Sakiz promises the group will generate sales growth of between 5 and 8 per cent this year, in spite of healthcare reforms. JP Morgan predicts the group will generate earnings of FFr908m this year, FFr1.04bn next year, FFr1.2bn in 1995, and FFr1.38bn in 1996.

The growth will not be generated by Roussel's best-known product, its controversial abortion pill, RU-486. Mr Sakiz says the product will never be a money-spinner as an abortion treatment.

He does not want the company to make money out of abortions and, besides, the potential market is small. The treatment could be used for other uses, however, such as during labour and for breast cancer.

Rather, the therapeutic areas that will drive growth will include antibiotics. Mr Sakiz stresses the innovative nature of Roussel's products and its pipeline in development in antibiotics, cardiovascular and endocrinology.

Earnings growth will also be helped by the group's efforts to cut costs. A rationalisation programme launched in 1988 is 80 per cent complete and should end in 1995. The company believes it should contribute pre-tax savings of FFr500m a year from 1995 onwards.

Investors' difficulties in valuing the company are exacerbated by changes in the group's structure. Roussel is acquiring Hoechst's French and German pharmaceuticals sales operations. The two companies' Italian and British businesses may also be merged.

Rhône-Poulenc sets Roussel price

RHONE-POULENC, France's flagship state-controlled chemicals company, yesterday announced it was selling its 35 per cent stake in Roussel-Uclaf, the specialist chemicals concern, for FFr563 a share. The deal values the holding at FFr4.39bn ($770m), writes Alice Rawsthorn.

The sale – intended to raise capital to reduce Rhône-Poulenc's debt before the French government's privatisation programme gets under way in the autumn – has been divided into a public offer of nearly 3.9m shares in France and an international placing of some 3.9m shares. Some 15 per cent of the international allocation can be clawed back for French investors.

Roussel's shares were suspended at FFr575 two weeks ago on the day the deal was announced. The price of the transaction is in line with market expectations. Rhône-Poulenc's own share price yesterday fell FFr14 to FFr571 following the announcement.

The sale of the Rhône-Poulenc stake has been expected for some time. The French group acquired the holding in Roussel, best known for its controversial RU-486 abortion pill, in 1990, when France's the socialist government reshuffled its chemicals interests.

However, Rhône-Poulenc is now pursuing a strategy of shedding peripheral interests – a category into which most of Roussel's activities fall – and also concentrating on companies where it exercises control. Roussel is controlled by Hoechst, the powerful German chemicals group which owns a 54.5 per cent stake. Rhône-Poulenc is also keen to reduce its net debt, valued at FFr34bn ($5.96bn) at the end of last year.

INTERNATIONAL COMPANY NEWS IN BRIEF

SWISSAIR has presented the Swiss government with alternatives to merging with three other European airlines, Reuter reports from Zurich.

A Swissair spokesman declined to comment on the details of these alternatives, citing confidentiality.

Swissair's proposed joint venture partners for the so called Alcazar project are Austrian Airlines, SAS and KLM Royal Dutch Airlines. Company executives met government ministers, including Mr Adolf Ogi, Swiss president and outlined the state of the Alcazar project and alternatives to it.

● SUEDZUCKER, the German sugar producer, plans to double to 50 per cent its stake in Holding Agrana Beteiligungs, the sugar and starch producer, Reuter reports from Mannheim. The company would finance the purchase of shares with a nominal value of DM33m through a one-for-12 rights issue announced last week.

● AACHENER und Muenchener Beteiligungs, the German insurance and financial holding, expects a "good 1993 result," Reuter reports from Frankfurt.

The 1993 result is likely to allow the payment of a dividend at about the same as that paid last year, Mr Wolfgang Kaske, chairman, indicated at AMB's annual shareholders' meeting.

In 1992, AMB paid a dividend of DM12.50 per share on a net profit of DM73.25m.

Mexico's leading paper to be sold for $90m

By Damian Fraser in Mexico City

MEXICO'S biggest-selling newspaper, La Prensa, is about to be sold for $90m to a group of investors led by Mr Carlos Abedrop, a wealthy Mexican businessmen, and Mr Jesus de Polanco, Spain's most powerful media baron.

Mr Abedrop, a shareholder in Mexicana and Aeromexico, the country's two largest airlines, is head of the investor group, and expects the purchase to be completed in a few weeks.

Mr de Polanco, who will be investing through his publishing house Editorial Santillana, will take a significant minority stake.

La Prensa is a downmarket newspaper with a circulation of up to 280,000, and is owned by several hundred shareholders. The newspaper also owns several publishing companies, that together print more books than any other Mexican company.

La Prensa already prints Mexico's school textbooks on contract for Editorial Santillana, the largest publisher of textbooks in Spanish, with sales throughout Latin America.

Mr de Polanco also owns, through other holding companies, El Pais, Spain's largest newspaper, radio stations, book shops, a television channel, and a significant minority stake in Britain's Independent newspaper.

When the purchase of La Prensa is complete Mr de Polanco is expected to concentrate on the publishing rather than newspaper side of La Prensa.

Mr Abedrop has said his only interest in La Prensa is commercial, and will not change the newspaper's pro-government, sensationalist editorial line.

However, Mr Abedrop has never before shown any interest in newspapers, leading some to suspect his investment is politically motivated.

"He has bought the paper as an instrument of political control to protect his business interests," says Mr Raymundo Riva Palacio, an editor of El Financiero newspaper.

The sale of La Prensa comes as El Norte, the Monterrey-based newspaper, is forging ahead with $50m investment in producing a new Mexico City newspaper, even though Dow Jones, the parent company of the Wall Street Journal, has backed down from taking a 49 per cent equity interest.

El Norte says the two sides are still talking about a "strategic alliance in both print and electronic form", but Dow Jones's stake will be much less ambitious than originally planned.

Japanese railway operator seeks listing

By Emiko Terazono in Tokyo

EAST JAPAN Railway, one of the seven regional companies created in 1987 by the break-up of Japan National Railways, the former national operator, yesterday applied to the Tokyo stock exchange for listing in late October.

The share sale was initially scheduled for last year, but the plunge in the Tokyo stock market last August forced the government to postpone the offering for the first tranche.

The aim is to ease the mounting debt at JNR Settlement Corp to which the debts of JNR were transferred. JNR Settlement holds the shares in the six passenger companies and one freight company.

The success of JR East's listing is crucial for other semi-privatised companies, such as Japan Tobacco, and the remaining six JNR spin-offs. The government also still holds 65.7 per cent of Nippon Telegraph and Telephone, the telecommunications giant privatised in 1986.

The sale was welcomed by the country's brokers, who hoped the sale of a low-priced stock will bring back retail investors, discouraged by the slump in share prices and the plunge in NTT shares over the past three years.

Half of JR East's 4m shares, with a face value of Y50,000, are scheduled to be offered in the first tranche. A total of 600,000 will be auctioned in August to institutional investors to determine the initial offering price.

When the offering price has been fixed, the Tokyo stock exchange will accept orders from individual investors from September to late October.

Del Monte Royal Foods confident of hitting target

By Philip Gawith in Johannesburg

DEL MONTE Royal Foods (Delfood), which acquired the European food group Del Monte Foods International (DMFI) for R2.3bn in December 1992, reports attributable earnings of R82.2m ($24.7m) for the six months to May 28.

Comparable figures have not been provided owing to the re-organisation of Delfood's operations following the DMFI deal, but management is confident Delfood will achieve its forecast earnings of 60.1 cents a share for this financial year.

Turnover at R651.3m was behind budget, but the maintenance of margins, lower finance charges and tight control of working capital and expenses allowed budgeted earnings to be achieved.

The company is paying a dividend of 8 cents per share.

DMFI is the principal operating subsidiary of Delfood, which also has food investments in South Africa.

Markets for the group's products generally softened in both areas during the reporting period.

DMFI managed to maintain market share, while in South Africa a difficult operating environment was partially countered by the strong performance of traditional brands and the successful launch of Mars products.

The share placing necessary to finance the DMFI transaction has significantly changed the group's balance sheet. Ordinary shareholders' funds have increased to R2.36bn from R204m, while the debt equity ratio of 17.8 per cent compares with 46.9 per cent before the takeover.

Management expects that trading conditions in its main European markets will remain difficult for the rest of the year, while South African prospects depend on "political progress, improving business confidence and consumer demand".

Formosa Plastics complex to go ahead

By Dennis Engbarth in Taipei

FORMOSA Plastics will shortly start work on a T$210bn (US$8bn) petrochemical complex after securing rights to use submerged land on Taiwan's south-west coast.

News that that the island's largest private investment project will finally proceed gave a boost to Taipei's efforts to urge local manufacturers to invest at home instead of mainland China.

Mr P. K. Chiang, minister of economic affairs, said: "Formosa Plastics' sixth cracker project will have a major impact on increasing private investment and industrial production."

He added that output from the complex would slice Taiwan's reliance on imported petrochemicals from 50 to 10 per cent of local demand.

The acquisition of land-use rights was the most vexing of the problems that have plagued the plan to build the island's sixth cracker and related expansion projects since group chairman Mr Y. C. Wang proposed the project nearly seven years ago.

The ministry of economic affairs has made 1,940 hectares of public land, now underwater, available at a price of T$563.4m. Authorities in Yunlin County, where the complex will be built, had earlier supplied Formosa Plastics with 543 hectares of land.

Reclamation costs will be borne by the investors, probably with assistance from government-backed financing.

The complex will include two refineries, two naphtha cracker and up to 39 petrochemical intermediates plants, most of which will built by Formosa Plastics and other local companies. The plan also includes construction of a T$15bn industrial port.

Formosa Plastics will launch reclamation work after transfer of the land use rights is completed by July 10. Priority will be given to reclaiming land for a machinery plant, and constructing dormitories for workers, gravel storage sites, roadways and sewers.

Randgold finds mixed results

By Philip Gawith

THE four gold mines in South Africa's Randgold group reported mixed fortunes for the June quarter, with improved performances at Blyvooruitzicht and Harmony being offset by losses at Durban Deep and ERPM.

All the mines benefited from the recent strength in the gold price. But they did not reap the full benefit because most had hedged a "significant portion" of production at prices lower than the prevailing spot price. These lower prices are locked in for as much as a further 12 months.

The most disappointing performance came from Durban Deep, which reported an after-tax loss of R2.2m ($660,000) against a R0.5m profit in the March quarter. Management warned that if margins were not restored "the future of operations will have to be reviewed".

ERPM made a R18.4m loss, up from R13.7m last time. The mine, which has a large debt burden, suffered an unexpected decline in the underground yield – to 5.17 grammes per tonne from 5.54 g/t – which resulted in lower gold production.

Management said the loss for the quarter had raised the possibility of a funding problem towards the end of the year. The review of the mining and finance plan is thus still in progress.

Harmony recorded a R1.3m after-tax profit, following a R0.4m loss in March, while Blyvooruitzicht lifted profits to R5.6m from R3.1m a year ago.

Onex cuts stake in US car parts maker

By Robert Gibbens in Montreal

ONEX, a diversified management company controlled by Toronto financier Mr Gerald Schwartz, plans to reduce its holding in Automotive Industries, a leading North American car interior parts producer, from 35 to 20 per cent.

Automotive has filed a financing package with the Securities and Exchange Commission covering the offer of 2m new common shares and the sale of 2.6m existing shares, including 1.25m held by Onex. The issue is being made solely in the US.

Onex said it expected to receive about C$40m (US$31.2m) for its 1.25m Automotive shares and record a gain of about C$30m. It would retain 20 per cent of Automotive after the new share issue.

Onex has most of its assets in the US, including subsidiaries in airline catering, food service equipment, automotive and construction equipment.

Its latest investment was in a US wire producer earlier this year, while it plans to sell its interest in a Canadian courier to Canada Post.

Its asset sale was control of Beatrice Foods in the US in 1991 for C$475m.

● BCE, Canada's biggest telecom group, denies it is negotiating the sale of its financial services subsidiary, Montreal Trust, but analysts still think a deal is possible.

BCE paid C$878m for Montreal Trust in 1989 in the last of its diversification moves. It has since reversed its diversification policy, selling assets outside the telecommunications field and reinvesting in its core businesses.

The reports claimed it has been negotiating to sell Montreal Trust to either Bank of Novia Scotia or Bank of Montreal, which are trying to expand in the trust company field. Since 1992 banks can now own trust companies.

Montreal Trust and a property subsidiary are the only non-telecom assets remaining in BCE's portfolio.

GBL increases stake in Petrofina

GROUPE Bruxelles Lambert, the Belgian holding company, said it and its allies' stake in Petrofina, Belgian oil company, had risen to 28.88 per cent from 21.65 per cent, Reuter reports from Brussels.

Novel move lifts Lafarge Coppée stake in Asland

LAFARGE Coppée, the French building materials group, has increased its stake in Asland, the Spanish cement and concrete maker, to 87.3 per cent following an exchange offer it called a "large success," AP-DJ reports from Paris.

As a result of its exchange offer, Lafarge Coppée issued to Asland shareholders participating in the swap a total of 3.42m new shares representing 5.8 per cent of the share capital in the French group.

In April, Lafarge Coppée announced it would make a bid for the 46 per cent of Asland it did not already own by swapping two of its new shares for every nine existing Asland shares.

Lafarge Coppée noted that its operation was the first such exchange offer by an international group for a Spanish-listed company. It said the acquisition underscored its long-term confidence in Spain.

In 1992 Asland, which employs 1,800 people, posted consolidated revenues of Pta42.8bn ($330m). Asland also holds minority stakes in companies in Turkey and Morocco.

Lafarge Coppée shares will begin listing on the Madrid and Barcelona bourses on Friday.

Spain approves Tabacalera and RJR food deal

THE SALE of a 50 per cent stake in Grupo Royal Brands, the food subsidiary of Tabacalera, the state-owned tobacco monopoly, to RJR Nabisco, the US food group, for Pta17.25bn ($133m) been approved by the Spanish government, AP-DJ reports from Madrid.

Tabacalera and RJR Nabisco are to set up a joint venture, called RJR Alimentacion, to hold Royal Brands operations.

Under the terms of the transaction, RJR Nabisco has the option to buy Tabacalera's stake in the joint venture within a year of March 31 1994.

Gilt-to-bund yield spread dips below 100 basis points

By Peter John in London

THE RISE and rise of UK government bonds continued yesterday, tightening the yield differential over German bunds to below 100 basis points from around 110 according to some models. The narrower yield spread highlights the tendency of overseas investors to see the UK as offering consistent value and potential.

There were gains along the whole length of the yield curve with the strengthening belief that inflation is not going to move higher – which helps longer dated maturities – competing with hopes for a cut in UK interest rates.

GOVERNMENT BONDS

The enthusiasm of overseas investors, who have poured an estimated £5.5bn into the UK government bond market since the start of the year, was reflected in the sprightly performance of 10-year gilts. Ten-year issues are the preferred overseas investment vehicle because most countries, apart from the US, have 10-year maturities as their long-dated benchmark bond.

US investment house JP Morgan calculates that the yield spread between UK and German 10-year benchmarks has fallen to 102 basis points but Mr Ian Shepherdson of Midland Global Markets, comparing the UK 8 per cent stock dated 2003 with Germany's 6.5 per cent 2003 stock, said the spread had reached 94.

"Our forecast is for the spread to hit 50 basis points by the end of the year. That compares with forecasts of around 300 basis points after devaluation last year when inflationary prospects were much worse," he said.

Yesterday's gains came despite mixed economic data. The consumer credit bill for May was only £118m, well below a market forecast of around £150m. It pointed to a continuing slide in consumer spending and added to concerns that the much vaunted green shoots are withering on the vine.

The trend bolsters the need for an interest rate cut and consequently helps short-dated issues.

However, it does not offer a great deal of encouragement to sterling, the strength of which has been one of the big incentives for the overseas investor.

■ ITALIAN government bonds leapt forward yesterday as the market anticipated a one-point cut in the discount rate following news of a successful labour agreement.

The government, the confederation of Italian Industry and unions agreed a four-year national contract on Saturday which cut away some of the country's high wage pressure and consequent inflationary implications.

The September BTP futures contract opened half a point higher yesterday and then shot forward to break through 104. There was some profit-taking in mid afternoon but the contract recovered on the announcement that the Bank of Italy had cut its discount rate by one point to 9 per cent, its lowest level since 1976. By the close, the BTP future was some 60 basis points higher at 104.10

■ FRENCH government bonds drifted back, having already taken on board the intervention rate cut which became effective yesterday.

The 25 basis point cut to 6.75 per cent was widely flagged after Germany's half-point discount rate cut on Thursday and brings the two key floor rates back to parity. On the Matif, September futures fell back 18 basis points to 119.10 by the official close and recovered slightly in after hours trading. The yield spread between French and German 10-year issues remained in single figures.

■ DUTCH bonds fell after an idle, consistently weak session, with the market stuck in post rate-cut doldrums and drifting further as hopes faded for any further rate falls.

The benchmark 6.50 per cent 10-year guilder bond fell 0.35 to 99.45 with the yield up 5 basis points at 6.57 per cent. Dutch paper fell further than its easier German counterpart, narrowing the Dutch yield discount to Germany by 3 basis points to 14.

■ PORTUGUESE debt prices rose after the Bank of Portugal cut its regular money market intervention rate by 0.25 points to 10.25 per cent and its short-term lending rate by the same amount to 11.25 per cent.

The move follows the introduction of a new 10-year bond which puts the Portuguese debt market on a par with its EC counterparts. Last week, the central bank issued Es100bn of 11.5 per cent stock dated July 2003. The issue was aggressively bid with Es82.7bn of offers and an accepted yield of 10.67 per cent against expectations of 11 per cent.

■ JAPANESE government bonds rallied sharply, receiving a boost from weak US employment data and a low bank lending figure. The low corporate demand for loans raised hopes that banks might be looking to shift funds into bonds.

The yield on JGB No 145 fell 5 basis points to 4.31 per cent in Tokyo trading and continued lower in London to 4.30 per cent by the close.

■ THE US Treasury market was closed for Independence Day but Canadian bonds climbed across the board in trade kept quiet by the US holiday.

FT FIXED INTEREST INDICES

	July 5	July 2	July 1	June 30	June 29	Year ago	High*	Low*
Govt Secs (UK)	97.74	97.30	97.43	97.22	97.13	89.40	98.04	93.28
Fixed Interest	115.79	115.48	115.42	115.24	115.14	105.77	115.79	108.87

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 115.79 (5/7/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 2	July 1	June 30	June 29	June 28
Gilt Edged Bargains	98.2	123.8	119.5	103.8	93.1
5-Day average	108.2	108.7	108.6	104.0	104.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	115.5043	+0.765	7.30	7.58	7.74
BELGIUM		9.000	03/03	113.3700	-0.120	7.05	7.07	7.37
CANADA *		7.250	06/03	99.8000	+0.250	7.28	7.33	7.60
DENMARK		8.000	05/03	107.8000	+0.450	6.83	6.86	7.47
FRANCE	BTAN	8.000	05/98	107.0875	-0.183	6.25	6.09	6.60
	OAT	8.500	04/03	111.5300	-0.230	6.84	6.70	7.17
GERMANY		6.75	04/03	100.2950	-0.050	6.71	6.63	6.90
ITALY		11.500	03/03	103.8600	+1.300	11.13†	11.48	12.28
JAPAN	No 119	4.800	06/99	103.1805	+0.048	4.14	4.22	4.42
	No 145	5.500	03/02	107.5897	+0.032	4.30	4.38	4.56
NETHERLANDS		7.000	02/03	103.1000	-0.310	6.54	6.42	6.75
SPAIN		10.300	06/02	100.6858	+0.399	10.17	10.15	10.86
UK GILTS		7.250	03/98	102-00	+4/32	6.75	6.86	7.08
		8.000	06/03	102-26	+8/32	7.58	7.65	8.02
		9.000	10/08	108-26	+5/32	7.98	8.00	8.40
US TREASURY		6.250	02/03	103-22		5.74	5.79	6.09
		7.125	02/23	105-30		6.66	6.68	6.89
ECU (French Govt)		8.000	04/03	105.8000	-0.380	7.16	7.07	7.52

London closing, *denotes morning session.US closed. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Austria's OKB launches aggressively priced Eurolira offering

By Sara Webb

EUROLIRA issues were again the centre of attention in the international bond market as Osterreichische Kontrollbank (OKB), the Austrian state-backed financial institution, yesterday launched an aggressive L250bn, 10-year deal.

OKB is the second borrower in two trading days to launch a deal with a coupon below the psychologically-important 10 per cent level. Investors – in particular, retail investors in the Benelux countries and Switzerland – have been piling into the Eurolira market in recent months, attracted by the double-digit coupons and high yields available.

On Friday the EBRD (which is another triple-A rated name) launched a L200bn, seven-year bond, carrying a 9.75 per cent coupon and yielding 9.75 per cent at launch. However, OKB's deal carries an even lower coupon – of 9.5 per cent – and yielded 9.56 per cent at full fees.

Dealers criticised OKB's issue for being "extremely aggressive", pointing out that

INTERNATIONAL BONDS

the EBRD issue, which has a shorter maturity, yields more than OKB's deal even though the Italian yield curve is positive and gives a 20 basis points pick-up at the 10-year maturity over the seven-year maturity.

One dealer drew attention to two World Bank deals, which also mature in 2003 and which are yielding between 9.6 and 9.7 per cent in the secondary market.

OKB's issue traded at 99.60 –99.70 yesterday: in other words, it was "outside fees" or below 99.625 on the bid side for much of the day, although it picked up later as the market rallied on the back of the Bank of Italy's interest rate cut.

Paribas Capital Markets, the lead manager, admitted the deal was aggressive but said there was good demand for 10-year Eurolira issues with current coupons and good liquidity, particularly from investors looking for triple-A rated names.

The issue was thought to have been swapped into D-Marks to give funding of at least 30 basis points below London interbank offered rate.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Seino Transportation Co.(a)‡	480	1.375	100	Jul.1997	2.25	-	Nomura International
D-MARKS							
Lynx, Ireland(b)	100	zero	100	Aug.2002	-	-	Trinkaus & Burkhardt
Atena Finance, Netherlands	100	7.125	101.5	Aug.2000	2.25	-	Dresdner Bank
ITALIAN LIRA							
Osterreichische Kontrollbank	250bn	9.5	101.635	Aug.2003	2	-	Paribas Capital Markets

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡With equity warrants. Ft: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 12/7/93. b) Redemption proceeds are principal plus performance payment (99.9% of accumulated profits).

The other main feature of the day was a $480m, four-year bond with warrants issue from Seino Transportation, the large Japanese freight company. The funds will be used for general corporate purposes, according to Nomura, the lead manager. The issue was watched with some interest, given that several Japanese borrowers – including Mitsubishi Oil, NGK Insulators and Sumitomo Cement – are lined up to launch bonds with warrants over the next few weeks.

However, Seino Transportation's deal was seen as moving slowly and dealers said some investors were likely to wait until after the election before taking a view on the Japanese market. "This would have gone better a few weeks ago, before the election was announced," complained one dealer.

The bonds were pretty stable at 98.5 – or within fees – yesterday, while the warrants traded at 13.25.

Hong Kong listing for Shanghai Petrochemical

By Simon Holberton in Hong Kong

SHANGHAI Petrochemical, the largest of the nine Chinese state-owned companies to seek a stock market listing in Hong Kong, yesterday came to the market for up to HK$2.72bn ($351m) in an issue which will see 30 per cent of the company listed internationally.

Company officials said proceeds would be used to repay foreign currency borrowings of HK$950m falling due in 1993 and 1994, to finance capital expenditure this year and next of HK$1.25bn and to increase working capital.

INTERNATIONAL EQUITY ISSUES

The company's financial advisers, Merrill Lynch and Peregrine Capital, a Hong Kong broker, will split the issue of 1.68bn H shares equally between Hong Kong and the rest of the world.

US investors will be offered American depositary receipts – each equal to 100 shares in Shanghai Petrochemical – and European investors either ADRs or lines of unbundled stock.

The issue price, to be determined by tender in the US, is expected to be between HK$1.55 and HK$1.74 a share, giving the stock a prospective price/earnings ratio of 12.3 to 13.8 on forecast 1993 net earnings of Yn848m (HK$612.7m).

Depending on the level of subscription in Hong Kong, up to 168m of the shares allocated to international investors may be clawed back to satisfy demand in the colony.

Last week, Tsingtao Brewery offered 317.6m shares at HK$2.80 each to raise HK$889m. Indications yesterday were that the offer was around 100 times oversubscribed with some HK$100bn committed to the offer.

Shanghai Petrochemical is China's largest petrochemical company and the mainland's ninth biggest industrial group. Its main lines of business are synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products.

The company is dependent solely on the Chinese economy. It buys its main input, oil, at a subsidised price and 40 per cent of its output is sold at below market prices. The crude oil subsidy will remain intact until 1996.

Mr Wang Jiming, Shanghai Petrochemical's chairman, said, however, that planned additions to the company's plant and further economic liberalisation in China would fuel significant earnings growth in the years ahead.

Any move by the state to raise the price of crude oil towards the free market price would be compensated by price increases in the company's products, he added.

Chinese bank gives mandate for $100m inaugural issue

CHINA Investment Bank (CIB) has given the mandate for an inaugural $100m five-year bond issue to a team of 10 international banks, Reuter reports from Singapore.

The lead managers are Development Bank of Singapore, Overseas Union Bank, Chemical Bank, Industrial Bank of Japan, Westpac Banking Corp, ABN-Amro Bank, Nikko Securities and Nomura Securities.

The state-owned CIB oversees funding for domestic projects in China. The bonds, expected to be launched next week, will be listed on the Hong Kong Stock Exchange.

● Electrolux, the Swedish durable goods maker, has launched a DM300m commercial paper programme, Reuter reports from Stockholm.

Deutsche Bank, which is placing the programme with Dresdner Bank, said a DM100m CP programme from Electrolux Deutschland would be closed.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:55 pm on July 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105	105 3/8	-1/8	4.24	Arbed 7 1/2 95 LFr	600	99 5/8	100 5/8		7.70
Alberta Province 9 3/8 95	600	110 1/8	110 1/2		4.83	ECSC 7 3/4 94 LFr	1000	100 1/8	101 1/8		7.61
Austria 8 1/2 00	400	114 1/2	114 3/4		[illegible]	World Bank 8 96 LFr	1000	101 1/2	102 1/2		7.57
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Further sections: DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, YEN STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE BONDS [illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month; §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	1	13
Other Fixed Interest	3	0	12
Commercial, Industrial	196	333	879
Financial & Property	69	214	515
Oil & Gas	14	26	43
Plantations	0	1	7
Mines	51	29	55
Others	35	60	48
Totals	432	664	1,573

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
125	F.P.	-	132	130	AB Holdings	130		R5.25	1.9	3.8	11.8
165	F.P.	-	167	95	Aragon	99		-	-	-	-
330	F.P.	-	355	356	Baring Chrysalis C	355		-	-	-	-
610	F.P.	-	679	679	Baring Emrg Mkts	679		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
160		13/8	20pm	16pm	Gt Portland Ests	16pm	
285		11/8	55pm	32pm	Hammerson	32pm	-1
255		11/8	55pm	28pm	Do A N/V	29pm	-3
132		11/8	24pm	19 1/2pm	Hardy Oil	19 1/2pm	-1 1/2
240		9/8	115pm	115pm	Hodder Headline	115pm	
350		27/7	57pm	38pm	MEPC	49pm	
320		9/8	77pm	65pm	Matthew Clark	75pm	
132		4/8	20pm	15pm	Norcros	16pm	-1
102		29/7	29pm	20pm	Sanderson Murray & E	29pm	
8 1/2		13/8	2 1/2pm	2pm	Sutcliffe Speakman	2pm	
489		10/8	73pm	54pm	Utd. Newspapers	57pm	+2
148		13/8	30pm	12pm	Wimpey (G)	12pm	-1 1/2

[illegible] Figures based on prospectus estimates. [illegible] Figures based on [illegible] 'Headline Earnings' draft proposals. [illegible] Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. [illegible] Pro Forma figures. [illegible] Issued by way of rights. † Introduction. § Placing price. [illegible] Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings June 28
● Last Dealings July 9
● Last Declarations Sep. 30
● For settlement Oct. 11

3-month call rate indications are shown in Saturday editions.

Calls in Amber Day, Avesco, Brent Walker, Colorgen, Cliff Res., Division, Downiebrae, ENT Corp., Ferranti, Mirror Grp., Pentos, Stonehill, Waterford Wedgwood units, J. Wilkes, Whitecroft and Whitegate Leis. Put in Brent Walker.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	500	34 1/2	50 1/2	59 1/2	2 1/2	12	19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*819)	650	5	27	33 1/2	35	57	64
Option		Jul	Oct	Feb	Jul	Oct	Feb
Grand Met	420	16 1/2	24 1/2	34 1/2	13 1/2	23 1/2	34 1/2
(*420)	460	1 1/2	11	20 1/2	47 1/2	51	60
Ladbroke	180	11	27 1/2	27	4	13 1/2	16
(*187)	200	3	11 1/2	18	15 1/2	25 1/2	30
Utd Biscuits	360	29 1/2	42 1/2	51	4	12 1/2	22 1/2
(*383)	390	10 1/2	29 1/2	35	16 1/2	29 1/2	37
Option		Jul	Oct	Dec	Jul	Oct	Dec
Fisons	160	21 1/2	30	32	2 1/2	6 1/2	13
(*177)	180	7 1/2	16 1/2	21	25	31	36

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero	360	40 1/2	57	66 1/2	8 1/2	25	32 1/2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Natl	390	31 1/2	34 1/2	52	8	14	19 1/2
(*414)	420	14	27	35	23 1/2	27 1/2	33 1/2
Amstrad	30	5	6	7	2	3	4 1/2
(*32)	35	2 1/2	4	5	4 1/2	5 1/2	8
Barclays	460	30 1/2	44	52	14 1/2	21 1/2	29 1/2
(*476)	500	11	24 1/2	32	37 1/2	44 1/2	48 1/2
Blue Circle	240	15 1/2	22	27 1/2	12	19	24
(*242)	260	7	13 1/2	18 1/2	24	32	35
British Gas	280	21 1/2	28 1/2	29 1/2	5 1/2	12 1/2	15 1/2
(*292)	300	9	15	18 1/2	16	23	25 1/2
Dixons	200	17	25	29	9	15	19
(*209)	220	8	16	20	22	27	30

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel	390	44	60 1/2	-	18 1/2	32	-
(*410)	420	27 1/2	48 1/2	-	34 1/2	48	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2858) and EURO FT-SE (*2858) [illegible]

PUTS								
Jul	13	36	79	129	178	229	279	329
Aug	37	60	93	135	180	229	279	329
Sep	52	75	107	143	185	230	280	330
Oct	66	98	116	150	189	233	281	331
Dec †	89	-	140	-	206	-	289	-
Jun †	137	-	187	-	243	-	312	-

July 5 Total Contracts 30,687
Calls 15,199 Puts 15,488
FT-SE Index Calls 3,375 Puts 4,769
Euro FT-SE Calls 3,234 Puts 1,599
*Underlying security price. †Long dated expiry dates.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Mon Jul 5	Day's change %	Fri Jul 2	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.23	+0.11	128.09	1.75	5.94
2	5-15 years (23)	150.29	+0.29	149.85	2.25	8.55
3	Over 15 years (9)	183.09	+0.18	182.79	1.95	5.77
4	Irredeemables (6)	185.24	+0.49	184.34	1.40	7.35
5	All stocks (63)	146.19	+0.22	145.95	2.03	6.34
	Index-Linked					
6	Up to 5 years (2)	186.20	+0.07	186.07	1.25	1.92
7	Over 5 years (11)	175.85	+0.04	175.78	0.79	2.62
8	All stocks (13)	176.12	+0.05	176.04	0.84	2.53
9	Debs & Loans (65)	133.21	+0.17	133.23	2.29	5.59

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 5	Fri Jul 2	Year ago (approx.)
	British Government				
1	Low	5 years	6.82	6.86	8.14
2	Coupons	15 years	7.91	7.94	8.69
3	(0%-7 3/4%)	20 years	8.04	8.07	8.69
4	Medium	5 years	6.96	7.02	9.03
5	Coupons	15 years	7.99	8.02	8.90
6	(8%-10 3/4%)	20 years	8.10	8.11	8.86
7	High	5 years	7.17	7.23	9.25
8	Coupons	15 years	8.24	8.27	9.05
9	(11%-)	20 years	8.28	8.30	8.98
10	Irredeemables(Flat Yield)		8.16	8.20	8.99
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.87	2.89	4.01
12	Inflation rate 5%	Over 5 yrs.	3.50	3.59	4.31
13	Inflation rate 10%	Up to 5 yrs.	2.13	2.14	3.30
14	Inflation rate 10%	Over 5 yrs.	3.32	3.33	4.14
15	Debs &	5 years	8.87	8.27	10.37
16	Loans	15 years	8.94	8.96	10.14
17		25 years	9.10	9.11	10.03

Bromsgrove advances 35% to £7.6m

By Paul Cheeseright, Midlands Correspondent

BROMSGROVE Industries, the Birmingham-based specialist engineering conglomerate, increased annual profits by 35 per cent and yesterday reported that order books generally were improving.

Pre-tax profits of £7.61m for the 12 months to March 31 compared with £5.64m last time, restated for FRS 3. Fully diluted earnings per share, however, were 0.8p lower at 7.75p on capital enlarged by the 1992 rights issue.

A recommended final dividend of 2.75p brings the total for the year to 4.4p (4p).

The results reflected the acquisition in 1992 of Thornton, which led to a near doubling of turnover in the aerospace division to £16.2m. Total turnover was £110.9m against a restated £90.1m.

The aerospace division's operating profits rose proportionately and there were increases also in the marine & offshore, plastics and environmental divisions. Operating profits were lower in the automotive and general industrial divisions as the markets in continental Europe weakened.

Bromsgrove has grown steadily by acquisition in specialist engineering markets but this stage of its development appears to be ending. Mr Bijan Sedghi, chairman, said "the range of activities is likely to become narrower as we concentrate upon a specialist and carefully selected operational portfolio which will form the basis of core activities."

He added that some peripheral operations could be sold in a divestment programme over the next three years.

Mr Sedghi was confident about the medium and longer term but said the short term was "still not easy to predict." For all that, he noted that order books were improving and drew attention to plans for expansion in the Far East and the US.

"The economic conditions governing the markets in which we operate are showing signs of gentle but gradual improvement," he said.

Gardiner up to £1.85m

By Catherine Milton

PRE-TAX PROFITS at Gardiner Group, the distributor of security and surveillance equipment, more than doubled from £839,000 to £1.85m in the six months to the end of April.

Mr Richard Clemons, chairman, said the period had been "steady as you go" as the new board had attempted to distance itself from the discovery of, in the words of Price Waterhouse, which recently completed the investigation, "a deliberate overstatement" of £4.8m in Gardiner's 1991 accounts.

In the light of the "overstatement" the interim dividend ishalved at 0.23p (0.47p) payable from earnings per share of 1.15p (0.54p). Gardiner shares moved up 1¼p to close at 26p.

Mr Clemons said the new board was in the process of adopting the Cadbury principles and had formed both audit and remuneration committees.

The results, prepared under FRS 3, showed turnover up at £40.2m (£36.6m), partly helped by exchange rate fluctuations. Gardiner's business is biased towards the first half.

Interest payments fell to £380,000 (£550,000) reflecting lower UK interest rates and reduced borrowings. Gearing at the half-way stage stood at 41 per cent compared with 47 per cent at the October year-end.

Mr Harvey Samson, chief executive, said turnover was strong at Gardiner Security, the principal subsidiary, "despite what are still difficult economic conditions".

Mr Clemons said: "Tight control of costs and margins, together with the strength of our position in the market, gives the board optimism for the future."

Gardiner operates subsidiaries in Denmark, Norway, France, the Netherlands and Belgium.

ANS improves to £1.82m

By Catherine Milton

ASSOCIATED Nursing Services, the nursing home specialist, announced pre-tax profits improved from £1.13m to £1.82m in the year to end-March.

Mr Nick Dhandsa, chief executive, said: "The group continued to grow profitably, particularly in its core nursing home business." He said the board proposed the resumption of dividends, passed since the 1991 interim, with a payment of 1p for the year.

The company's decision not to comply with the new FRS 3 accounting standards meant that a £1.05m charge in the 1992 figures remained below the line.

ANS said it had not yet adopted FRS 3 as it had already been forced to restate last year's figures to comply with the judgment of the Financial Reporting Review Panel. In 1992 the Panel expressed concern over ANS's capitalisation of interest costs on new homes for longer than the three-month norm.

Profits were struck on turnover down to £17.8m compared with £18.5m last time, which included £3.44m from discontinued operations.

Administrative expenses fell to £3.95m (£4.23m) and interest payments fell on the back of lower UK interest rates and reduced borrowings.

The company raised £1.54m in a placing and secured Business Enterprise Scheme funding to operate 200 beds.

Earnings per share fell to 16.6p (19p) diluted by the placing.

Rolls-Royce foreign holding breached

By Roland Rudd

ROLLS-ROYCE, the aero-engine manufacturer, yesterday said non-UK shareholders had taken their holdings above the permitted level. The investors have been asked to relinquish their shares.

The level of the group's foreign ownership of its shares has risen to 30.19 per cent, breaching the 29.5 per cent permitted by the company's articles of association. The limit was raised to its present level in 1989.

Rolls-Royce has asked foreign shareholders which bought shares since the company said it had reached its maximum level last month to relinquish their purchase by July 28. If they fail to do so their shares will be sold and the proceeds returned.

Buying from overseas investors has underpinned the share price in recent months. However, until the level of foreign shareholding is reduced below the maximum permitted limit, it is likely that all new purchases of foreign held shares presented for registration will be classified as [illegible].

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Securiguard silent on bid

By Andrew Bolger

A meeting between directors of Securiguard and Rentokil ended yesterday without the board of the security company making any recommendation concerning the £70.9m final offer which the environmental and property services company made for it on Friday.

Mr Clive Thompson, Rentokil's chief executive, said the future of Securiguard's business had been discussed and both companies shared similar views. A further meeting was expected to take place today. Mr Alan Baldwin, chairman of Securiguard, said the statement issued by Rentokil on yesterday's meeting had not been agreed and was premature.

Clayform directors compenstated

In recognition of acceptance of changes to their service contracts, two directors of Clayform Properties have been granted compensation payments totalling £500,000.

Mr Robert Ware, joint managing director, has been awarded an increased annual salary of £150,000. In addition he is to receive £300,000 to compensate for a reduction in his contractual period of notice from 36 months to 12 months.

Mr Dafydd Jones, executive director – property, has agreed to a salary cut of £50,000 along with a reduction in his notice period from 36 months to three months. In exchange he is to receive a £200,000 payment.

Great Portland scheme likely to be scrapped

By Vanessa Houlder, Property Correspondent

A CONTROVERSIAL management agreement between Great Portland Estates, the UK's sixth largest property company, and its chairman is likely to be scrapped in the light of the Cadbury report on corporate governance.

At its next meeting, the board will discuss proposals to reform a long-standing arrangement by which Great Portland pays management fees to a company fully owned by Mr Richard Peskin, its chairman and chief executive.

"It is more than likely that we shall be changing it [the arrangement] in some form or other," said Mr Roger Payton, deputy chairman. "I think it is very likely that it has outlived its usefulness."

In its last financial year, Great Portland paid £2.97m in management fees to Basil & Howard Samuel, a management agent owned by Mr Peskin that solely acts for Great Portland.

Some institutional shareholders dislike the arrangement because it obscures the size of Mr Peskin's pay package and could present a possible conflict of interest.

The £2.97m fee paid to B&HS by Great Portland, which has a rental income of £83.8m, is at the top end of fees charged by managing agents, which are normally in the range of 1 to 3.5 per cent of the rent roll.

Great Portland said that the fees were "in accordance with the scale of professional charges laid down on 1 January 1963 by the Royal Institution of Chartered Surveyors". However, the RICS abandoned the scale in 1982 at the instigation of the Monopolies and Mergers Commission and strongly discourages companies from referring to it.

Mr Peskin, who is paid a direct salary of £33,000 by Great Portland, declined to disclose how much income he draws from his management company. The company is not obliged to disclose its income because it is classified as a small company under the 1985 Companies Act.

The agreement between BH&S and Great Portland has a 57 month notice period. If the agreement is terminated for any reason, Great Portland has agreed to pay Mr Peskin an additional salary, equal to his salary from B&HS.

"There cannot be any advantages to shareholders of Great Portland Estates at all in this arrangement," said one analyst. "I think this agreement is unique."

Although Great Portland has used this arrangement for the last 34 years, the company may come under pressure to reform it because institutional shareholders are starting to take a greater interest in the pay packages of top executives.

Mr Payton's decision to raise the issue at the next board meeting stemmed from the publication of the Cadbury Committee report last December.

Greycoat in finance talks with Postel

By Vanessa Houlder, Property Correspondent

GREYCOAT, the property group, is in talks with Postel Investment Management about a financial restructuring.

An announcement about a £120m refinancing, which involves the restructuring of Greycoat's debt and capital base, is expected today.

The announcement of restructuring talks prompted the preference shares to rise from 34½p to 51½p, while the ordinary shares dipped from 20¾p to 19½p.

Greycoat, which is heavily exposed to the central London office market, has come under increasing financial pressure. Last September, it was forced it to pass its preference dividend and rescind its recommendation to pay a final dividend. In its half year to end-September, it incurred a pre-tax loss of £39.2m.

Without a restructuring, Greycoat's financial position would deteriorate sharply over the next few years, as a result of its reliance on stepped coupon bonds, on which interest payments rise as the bonds mature.

Postel, which manages the pension funds of the Post Office and British Telecom, owns 5.38 per cent of Greycoat.

Coutts Consulting dividend plan thwarted by ex-chief executive

By Paul Taylor

A MOVE by Coutts Consulting Group, formerly DC Gardner, to reduce its share premium account in order to resume dividend payments was blocked yesterday by Mr Barry Topple, the restructured outplacement group's disgruntled former chief executive.

The restructuring follows the sale last month of the banking and management training division to Euromoney Publications for £3.7m and the termination of a costly long term lease on a property in Docklands.

The change would have restored reserves, paving the way for arrears of £480,000 on its 5m convertible preference shares to be paid and hastening the return of ordinary dividend payments.

However, the proposed £6.65m reduction in the share premium account required the support of three quarters in nominal value of the issued convertible stock. Mr Topple, who was replaced as chief executive of DC Gardner in November, controls 70 per cent of convertible preference shares and blocked the move.

Mr Topple has been in dispute with his former employer over compensation and other matters and had issued a writ against the company claiming substantial damages. The company, which had made a £150,000 provision in its accounts to cover possible compensation costs, has issued a counter suit claiming £3.4m in damages.

Sir Kit McMahon, Coutts chairman, said yesterday the two sides appeared to have reached an agreement on a compensation package "a little better" than the £150,000 during negotiations 10 days ago.

However, the settlement was conditional upon Mr Topple supporting the financial restructuring and he apparently changed his mind on Friday.

Downturn at Scott Pickford

Scott Pickford, the USM-quoted petroleum consultant, blamed tighter trading conditions for a fall in pre-tax profits from £404,000 to £231,000 for the year to the end of March. Turnover dipped from £2.43m to £2.33m.

An extraordinary charge of £97,000 incurred in an aborted acquisition left attributable profit at £66,000 (£267,000).

Earnings per share were 0.93p (3.79p) and an unchanged single final dividend of 0.8p is recommended.

Heron refinancing approved

Heron International, Mr Gerald Ronson's property and trading group, saw its refinancing proposals approved at its third and final creditor meeting, held in the Netherlands Antilles. The proposals were approved by over 95 per cent by value and 81 per cent by number of those who submitted claims. The proposals now have to be ratified by courts in the UK, Netherlands and Netherlands Antilles.

Arthur Lee acquisition should be earnings enhancing in first year

Improved margins boost Carclo

By Richard Gourlay

CARCLO Engineering increased profits and earnings by 55 per cent last year, helped by the devaluation of sterling *and improved demand in the* UK.

Mr John Ewart, chairman, said high gross margins on its products meant that the increase in sales led to an immediate rise in bottom line profits.

Pre-tax profits in the year to March 31 rose from £5.63m to £8.75m on sales up 7 per cent at £84.4m. The 1991-92 results were held back by a £1.17m exceptional charge.

Earnings per share rose from 9.6p to 14.9p and a recommended final dividend of 3.4p raises the total by 10 per cent to an 8.6p.

On May 11 Carclo announced the agreed takeover of Arthur Lee, the Sheffield-based maker of steel and plastics products, in which it already had a 29.9 per cent stake.

Lee yesterday reported pre-tax profits of £2.3m (£600,000) in the half year to March 31 on sales of £42m (£51.9m). The interim dividend is 4p (1.65p).

Mr Ewart said the £55m acquisition of Arthur Lee would lead to savings by bringing together the two companies' wire rope and steel purchasing interests.

There would also be savings at Lee's head office. The acquisition should be earnings enhancing in the first year.

Mr Ewart said sales from the card clothing division had increased with increased demand from mills and original equipment manufacturers. Operating profits rose from £2.06m to £3.2m on sales up 27 per cent at £20.5m.

Profits from the general engineering division rose from £1.98m to £2.62m on sales up slightly at £24m, helped by the control cable business and the bronze and aluminium component maker.

The wire division's profits rose 41 per cent to £1.9m on sales almost unchanged and the group expects this area to be a significant beneficiary of the merger.

Carclo said yesterday that its offer for Arthur Lee had been accepted by holders of 21.7m shares, representing 91.7 per cent of Lee's capital. The remaining shares would be compulsorily purchased.

Carclo shares rose 10p to close at 224p.

Fyffes turns in 13.5% advance to I£14.1m

By Tim Coone in Dublin and Richard Gourlay in London

FYFFES, the UK and Irish fruit and vegetable distributor, reported a 13.5 per cent increase in pre-tax profits to I£14.1m on turnover down 7.6 per cent to I£267m for the six months to April 30 1993.

Interest and income from financial assets accounted for I£6.6m of the pre-tax figure.

The company said that sales volume increased in all its markets but turnover fell "due to the unusually low fruit prices experienced during this period. In particular European banana prices were weak in the first six months in the lead up to the new EC banana regime".

Mr John Callaghan, chief executive, said the EC's new regime, which came into effect last Thursday, would be likely to cause some market disruption in the next couple of months.

There could be surplus bananas on the market in the opening months – the last three months of Fyffes financial year – because fruit loaded before June 23 could still be accepted in the EC after July 1.

"I believe it is a well-based system and will work well once the settling down period has passed," Mr Callaghan said.

Fyffes' traditional sources of supply from the ACP countries have been supplemented in recent years by sources from dollar-producing areas to supply the continental European market, and will benefit from the new quota arrangements.

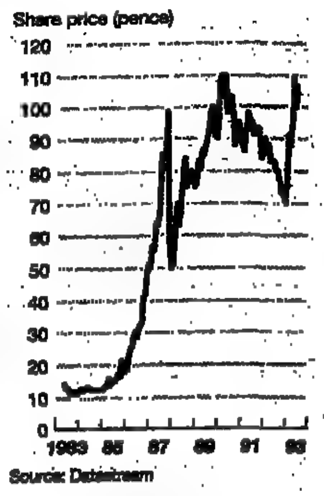
The company said that interest income would be lower in the second half of the current year due to lower interest rates, and expects earnings per share for the year to be "not be materially greater than that of last year".

Shareholders' funds stood at I£187m with net cash balances of I£91m at April 30. Earnings per share were 2.75p (2.23p). The interim dividend is 0.3904p, 10 per cent up on last year.

Fyffes also announced it had acquires 50 per cent of Brdr Lembcke "which supplies about 25 per cent of the Danish fresh produce market".

Fyffes

Share price (pence)



Source: Datastream

Cowie makes profit of £4.5m on sale of 9.9% stake in Henlys

By Maggie Urry

T COWIE, the motor trader, bus operator and car leasing group, has sold the 9.9 per cent stake it bought in Henlys Group when it bid for the motors, bus and coach company a year ago. Cowie made a profit of about £4.5m on the deal, compared with the £2.27m written down value of the stake.

The profit substantially exceeds the costs of the £32m bid, which narrowly failed. The costs were put at £1.22m in Cowie's 1992 accounts, including the £511,000 cost of writing down the investment.

Mr Steven Lonsdale, Cowie's finance director, agreed yesterday that the sale indicated Cowie had lost interest in Henlys. He said that since Cowie agreed the £39.5m purchase of Keep Trust, the motor dealer subsidiary of Fitzwilton, in April it had had its hands full.

He said the timing of the sale had nothing to do with Sir Tom Cowie's decision to retire as chairman and his elevation to life president announced last week.

Mr Robert Wood, chief executive of Henlys, said he had not felt threatened by Cowie's stake but was pleased to "see the matter brought to a conclusion". He said the stake had been placed by SG Warburg with five institutions. It is thought that some are new investors while others are already Henlys shareholders.

In the closing stages of the bid Cowie bought the stake paying an average of 73p a share. After the bid failed Henlys shares fell and Cowie wrote the stake down to 60p a share.

Since then, though, Henlys shares have risen sharply, closing yesterday at 191p, up 2p. Cowie sold the 3.78m shares to Warburg at 181½p each, raising £6.86m. Warburg is thought to have placed them at 183p each.

One analyst said yesterday that the share price performance since the bid failed showed that Cowie had spotted that Henlys' shares had been undervalued. There has also been a surge in the motors sector as car sales have revived in recent months.

Cowie shares, which were 126p on the day the bid for Henlys failed, were unchanged yesterday at 248p.

Creighton's improves 7% to £1m

PROFITS of Creighton's Naturally, the USM-quoted creator and maker of natural health and beauty products, rose from £934,000 to £1m pre-tax for the year to end-March.

The shares responded via a 14p rise to 170p.

The 7 per cent profits improvement was scored in spite a fall in turnover to £8.52m (£10.2m). The directors blamed the sales fall on the depressed domestic market. However, expansion overseas resulted in exports to the US exceeding £1m. More than of a quarter of group production is now exported.

Earnings rose to 13.9p (13.1p) and a proposed rise in the final dividend to 5.2p makes a 7.3p (7p) total.

NEWS DIGEST

Castle Mill cuts deficit to £384,000

CASTLE Mill International, the clothing and household textiles company, cut pre-tax losses to £384,000 in the 1992 year, compared with £6.93m, restated for the implementation of FRS 3.

There was a pre-interest profit of £209,000 (£6.3m losses) after taking into account losses on discontinued activities of £139,000. Interest costs were lower at £593,000 (£630,000).

Turnover was £9.65m (£9.75m) with £1.34m relating to the discontinued side. Losses per share were 3.1p (51.7p).

Kalon

Kalon, the paints group, is selling the business and assets of its industrial coatings activities to Croda International for an estimated £1.8m cash.

The assets being sold are the goodwill and intellectual property rights of the business, production plant and machinery and stocks. Their book value is estimated at about £1.32m.

Industrial coatings sales were £3.8m last year.

Abtrust New Dawn

Undiluted net asset value per share of Abtrust New Dawn Investment Trust improved from 125.79p to 177.98p over the 12 months ended April 30.

Attributable revenue amounted to £385,655 (£182,723), equal to basic earnings of 1.29p (0.61p) per share.

The dividend for the year is lifted from 0.5p to 0.75p.

Unigate

Unigate, the foods group, has sold Ebrex, its Dutch freight forwarding company, for an undisclosed sum which is "not material in the context of the overall group".

Ebrex had turnover of £11m in the year to March 1993.

Hemingway Props

Hemingway Properties is selling Dorset House, which is occupied by the Department of the Environment on a 25 year lease, for £21.8m cash to a foreign investor.

The book value is £21.2m and the money will be used to reduce debt. It is estimated that pro-forma net debt will be *£28.8m after the already* announced issue of £12.1m of convertible loan stock and the £30.3m acquisition of a portfolio of properties.

Perpetual Japanese

The offer for subscription by Perpetual Japanese Investment Trust pulled in applications for 36.5m ordinary shares, with warrants attached.

Some 23.7m of the shares were commited prior to the offer period and a further 12.8m were applied for during the offer for sale period, which closed on July 2.

All applications will be met in full. Warrants will be allotted on a 1-for-5 basis.

Goldsborough expansion

GOLDSBOROUGH, the nursing home subsidiary of Kunick, the fruit machine group, has paid £9.1m for Mariamark, which owns seven care homes with a total of 300 beds.

The acquisition makes Goldsborough the fifth largest care homes operator in the UK, with 26 homes and 1,200 beds.

Kunick sold a 50 per cent stake in Goldsborough to County Natwest Ventures for £12.5m in October 1992, to reduce borrowings and raise money to fund Goldsborough's expansion.

Goldsborough is hoping to achieve a Stock Exchange flotation in the next 12 months.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust New Dawn ....fin	0.75	Sept 8	0.5	0.75	0.5
Assoc Nursing § ....fin	1	Aug 27	nil	1	nil
Bromsgrove Inds ....fin	2.75	Oct 1	2.5	4.4	4
Carclo Eng ....fin	3.4	Sept 10	3.1	8.6	7.81
Creighton's § ....fin	5.2†	Sept 17	5	7.3	7
Fyffes ....int	0.3904‡	July 30	0.3549	-	1.2527
Gardiner ....int	0.23	Oct 11	0.47	-	0.66
Scot & Newcastle ....fin	11.07	Sept 6	10.39	16.83	16.1
Scott Pickford ....fin	0.8	Aug 31	0.8	0.8	0.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

COMPANY NEWS: UK

The escape from bad debt mountain

John Gapper examines new operations set up by TSB and Royal Bank to remove a menace from their balance sheets and promote a rescue culture

AS BRITISH banks show signs of emerging into a fresh era of profitability, they are still weighed down by their past.

A mass of corporate debt from the 1980s held by companies that have stopped paying interest, or defaulted on the capital, loiters menacingly on their balance sheets.

Little wonder that most prefer to avoid the subject of bad debt, instead emphasising steps they are taking to reshape, and develop new fee-earning operations.

Yet as they do so, they face the danger that they will fail to devote enough attention to managing the problems of the past.

In the US, some banks have opted for two radical solutions to such difficulties.

The first is to split in two, creating a "bad bank" to carry old bad debt, and a "good bank" which can trade unburdened. The second solution is to sell the old poor loans at a heavy discount on secondary loan markets.

But in Britain, no bank has yet chosen to split itself, and the secondary debt market is less developed. This means many banks are simply struggling along with increasingly divided businesses.

Two banks TSB Group and Royal Bank of Scotland - have set up new operations in response.

TSB Group's problems with poor corporate loans largely stem from its misguided purchase of Hill Samuel, the merchant bank. Hill Samuel built up a portfolio of bad loans in the late 1980s, and has now been put up for sale. But TSB must still deal with the £1.6bn net debt burden.

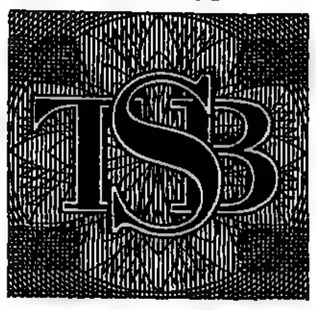
To manage down this debt, it established a separate "loan administration unit" at the end of last year. Mr Mike Fairey, director of credit, says the unit has two purposes. One is to "relieve Hill Samuel of its debt mountain" and allow its management to concentrate on reshaping the business.

The second purpose is to allow 50 full-time managers in the unit supported by specialists in areas such as property who advise under contract to concentrate on the task. Mr Fairey argues that such concentration is required because there is "no generic approach" to getting rid of the debt.

Mr Fairey does not rule out selling debt, or securitising assets to remove them from the balance sheet. But he believes it will only be possible in a few cases. So the task in many cases comes down to selling the underlying assets on which the loans were secured. This largely means property.

Signs of a revival of investor interest in the UK property market are unlikely to have an immediate impact, because much of the old book is what he terms "secondary" property - not the sort of fully-let commercial property on prime sites which attracts blue chip companies as tenants.

As a result, his properties need work to sell. "You cannot manage property from behind a desk. You have to get out there and have a look," he says. The bank has raised £60m from property sales since October, reducing net written down debt - after making provisions



of 54 per cent - to £747m.

On one hand, the bank has an incentive to rid itself of the property book fast. Carrying the unit's loans cost £42m in interest last year. Yet there is a risk that it could imitate the banks' mistake in selling less developed country debt cheaply in the 1980s before it started performing again.

"We want to get rid of it, but I believe we are adequately provided, and there could be some potential in the future," says Mr Fairey.

This means the bank is not trying to reclaim the underlying security in many cases, but instead allowing managements to remain in place to make the best of it.

Royal Bank of Scotland is also trying to keep as many of its troubled corporate debtors trading as possible, although it is sometimes less keen to keep current managers in place.

The bank established a "specialised lending services" unit last year to deal with many of the poor loans that led to it making £400m of bad debt provisions in 1992. It is headed by Mr Derek Sachs, who was formerly UK managing director of 3i, the venture capital company owned by the big banks.

Rather than concentrating on liquidating the asset on which property is secured, the unit's efforts are mostly aimed at restructuring debt and making businesses more viable. It has deliberately intervened to make it more difficult for branch managers to place small businesses in receivership.

The number of receivers appointed by the bank in the first four months of this year was 90, compared with 190 in the same period the previous year. Mr Sachs argues that branches have appointed receivers too fast because managers want to spend their time on "new, positive business" rather than old.

He is also trying to avoid "the classic clearing banker approach" of refusing further loans to companies that have eroded their capital during recession. Yet this requires the bank to take some brave decisions based on confidence that managements are capable of staying in business.

It attempts to do this by assigning teams of specialists, including accountants and lawyers, to restructure both the terms of financing and often management.

Mr Sachs summarises his task within the bank as "trying to promote a rescue culture". He says this will remain useful even when it has rid itself of its current debt burden. It could then apply the equity finance and accountancy skills among the 300 people in the unit for new lending.

Yet the development of such skills also poses the question of whether Royal Bank might exercise them on other portfolios, by buying distressed debt from others. It has not done so yet, but fellow bankers expect it to be among bidders if a secondary loan market starts to develop in the UK.

Derek Sachs: a specialist dealing with poor loans

No British banks have yet opted for the US solution of dividing into a bad bank which can carry the old bad debt and a good bank which can trade unburdened

£9m purchase for Rubicon

SHARES IN Rubicon Group, the maker of storage and handling systems for retailers, put on 1p to 145p on the resumption of trading yesterday as the company announced it had reached agreement for the acquisition of High Speed Production (Holdings) for £9m.

The total consideration for the purchase will be satisfied by the issue of 3.28m shares, loan notes of £3.5m and £1.4m cash.

To satisfy the cash element and provide cash backing for the loan notes, Rubicon proposes to raise £7m net of expenses via a rights issue of 6.36m shares at 120p on a 7-for-11 basis.

An extraordinary meeting has been called for July 26 to gain shareholder approval for the proposals. HSP, which manufactures precision metal components and assemblies, made pre-tax profits of £1.7m on turnover of £20.1m in 1992. It will form a second operating division of Rubicon.

The announcement came as the company reported a 48 per cent increase in pre-tax profits, from £820,000 to £1.22m, for the year to May 31.

The improvement was achieved on turnover up from £15m to £18.1m, boosted by the acquisition of BFN in September last year. A second interim dividend of 2.5p is declared making 4p (nil) for the year. The dividend is more than twice covered by earnings of 8.4p (30.4p) per share, adjusted for a capital reconstruction during the year.

NEWS IN BRIEF

BORTHWICKS has acquired net assets of F&C Hong Kong from F&C International for £265,000 cash. F&C manufactures flavours and fragrances; in the year to end-June 1992 it incurred losses of £19,525 on turnover of £1.26m.

DUNEDIN INCOME Growth Investment Trust has extended its syndicated unsecured loan facility agreement for an aggregate £50m from December 6 1993 to January 31 1996.

FRIZZELL INSURANCE Brokers has been renamed FirstCity Insurance Brokers. The move follows acquisition of Frizzell in December by Marsh & McLennan.

GOLDEN VALE: Offer for Leckpatrick declared wholly unconditional.

M&W has exchanged contracts for the sale of its two cash and carry outlets to Booker for £600,000 cash plus stock.

MICROGEN: Capella, the group's Swedish offshoot, is to acquire the electronic printing and computer output microfilm business of Teamco in Norway for NKr6.6m (£620,000).

MINING & ALLIED Supplies has acquired certain assets of the bearing distribution division of Richard Hough for £823,600 in 3.09m shares and £227,000 cash.

TRAFALGAR HOUSE: At close of business of July 19, A ordinary shares will convert into ordinary shares, ranking pari passu in all respects.

TRANSFER TECHNOLOGY has entered into agreement giving right to buy LK and LK Tool USA, a metrology and ultrasonic testing group, from Cincinnati Milacron.

UNICHEM has acquired the goodwill and other assets of a Hull-based pharmacy for a maximum £290,000. Consideration to be satisfied by the issue of 65,148 ordinary shares and £145,000 cash.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 5, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	65.6632	38.7317	60.2427
Albania	(Lek)	166.00	109.825	64.7804	100.759
Algeria	(Dinar)	31.5806	20.8934	12.3292	19.1705
Andorra	(Fr Fr)	8.6778	5.7409	3.3863	5.267
	(Sp Peseta)	195.45	129.309	76.2731	118.634
Angola	(New Kwanza)	5670.30	3883.78	2290.85	3563.18
Antigua	(E Carr $)	4.0745	2.6955	1.59	2.4731
Argentina	(Peso)	1.50875	0.9981	0.5887	0.9157
Aruba	(Florin)	2.7010	1.7869	1.054	1.6394
Australia	(Aus $)	2.2428	1.4838	0.8752	1.3613
Austria	(Schilling)	18.065	11.948	7.0489	10.959
Azores	(Port Escudo)	244.10	161.495	95.2585	148.164
Bahamas	(Bahama $)	1.5115	1	0.5898	0.9174
Bahrain	(Dinar)	0.5685	0.3761	0.2218	0.345
Balearic Is	(Sp Peseta)	195.45	129.309	76.2731	118.634
Bangladesh	(Taka)	59.88	39.5964	23.356	36.3277
Barbados	(Barb $)	3.0350	2.0079	1.1843	1.8421
Belgium	(Belg Fr)	52.75	34.8991	20.5853	32.0182
Belize	(B $)	3.0180	1.9966	1.1777	1.8318
Benin	(CFA Fr)	433.875	287.049	169.317	263.354
Bermuda	(Bermudan $)	1.5115	1	0.5898	0.9174
Bhutan	(Ngultrum)	47.3620	31.3344	18.4827	28.7477
Bolivia	(Boliviano)	6.4360	4.258	2.5116	3.9065
Botswana	(Pula)	3.7205	2.4614	1.4519	2.2582
Brazil	(Cruzeiro)	85162.2	56342.8	33234	51691.8
Brunei	(Brunei $)	2.4548	1.624	0.9579	1.49
Bulgaria	(Lev)	39.55	26.166	15.4341	24.006
Burkina Faso	(CFA Fr)	433.875	287.049	169.317	263.354

Coffee producers mount effort to boost prices

By David Blackwell

LATIN AMERICAN coffee producers, who account for almost two thirds of world production, are to retain 20 per cent of their exports from the start of October.

The move was agreed over the weekend in San Salvador, capital of El Salvador. It follows the collapse in March of London talks to renegotiate the International Coffee Agreement, the producer/consumer price stabilisation pact, which expires at the end of September.

Indonesia, the world's third biggest coffee producer, and some African producers indicated yesterday that they might join the Latin American's scheme. World producers are thought to have lost a cumulative $10bn since the International Coffee Organisation's export quota system collapsed in July 1989, more than halving world prices.

September robusta coffee futures on the London Commodities Exchange closed up $24 yesterday at $952 a tonne. The New York arabica market was closed for the Independence Day holiday. But last Friday September arabica futures closed 2.45 cents higher at 62.25 cents a lb in anticipation of the San Salvador meeting.

"I think the markets will begin to take us seriously now," Mr Herbert de Sola, El Salvador's top coffee negotiator, told the Reuter news agency after the San Salvador meeting.

"This will have an immediate effect on prices. They have to believe that the political commitment is there among producer nations, even if they question how the agreement will function."

The plan to retain 20 per cent of exports was proposed by Brazil, the world's biggest producer. It supersedes an agreement made last May under which the Central American producers – Costa Rica, Nicaragua, El Salvador and Guatemala – were to withhold 15 per cent of their production while Brazil and Colombia were to limit exports to 17m and 13m bags (60 kgs each) respectively.

The countries meet again on August 15 as the Confederation of Coffee Producing Countries, when they will work out the details of the scheme. It will aim to reduce the level of exports retained as market prices rise.

London analysts expect the market to move ahead in the initial stages. "I'm quite positive about it," said Mr Peter Kettle of E D & F. Man, the London trade house. "I don't think producers have to do a large amount to turn it around a bit."

He argued that the producers were not seeking a huge increase in prices, but were going for something fairly modest.

Mr Lawrence Eagles, analyst with GNI, the London futures broker, put a ceiling of 80 cents a lb for the nearby New York arabica contract on any upward move. Above that level, he argued, consumers would resort to their 20m-bag stockpile and producers would start to circumvent the retention scheme.

"The problem with the scheme is verification," he suggested. "Who is going to determine the crop size? How do they know the volume of exports? What happens if someone cheats?"

Oil companies meet on Azerbaijan project

By Deborah Hargreaves

WESTERN OIL companies involved in negotiations over a $9bn project to develop three oilfields in the Azerbaijan sector of the Caspian Sea are meeting in New York today following talks with the new Azeri government last Thursday.

The group of eight western oil companies saw long-term talks with Socar, the Azeri state oil company, interrupted recently by political upheaval in the republic which replaced the populist government with hardliners.

The companies are continuing to discuss plans in New York for unifying the three oilfields in one development in spite of indications that the new government could switch back to individual negotiations.

Mr Stephen Remp, chairman and chief executive of Ramco, a small UK oil services company which is involved in the talks said the companies had instructions from Socar, the Azeri state oil company to continue talks on integrating the development.

He said that the group of eight oil companies including British Petroleum, Amoco and Pennzoil hoped to hear from the Azeri government this week. The Azeris are being represented in New York by their advisers, Morgan Grenfell.

Socar yesterday indicated to the Reuter news agency that the Azeri government would be looking for more profit from the deal and could throw open the negotiations to other oil companies.

"The new government wants to see what is going on, but there is a strong desire to move forward quickly by both the government and Socar," Mr Remp said.

He added that it would severely delay the projects if a tender were to be put out to other oil companies.

The western partners are talking about the development of the Guneshli, Azeri and Chirakh fields offshore of Baku. Guneshli is already in production, but the other two fields need to be explored and developed. The three fields are estimated to contain 4bn barrels of oil.

Phillips seeks extension of Ekofisk licence

By Karen Fossli in Oslo

PHILLIPS PETROLEUM Norway is to seek an extension of its licence for the giant Norwegian North Sea Ekofisk field, hub of the world's largest petroleum transportation system, before committing itself to a plan calling for investment of $4bn to build new facilities.

The Ekofisk licence, of which Phillips is the operator with a 36.96 per cent stake, is due to expire in the year 2011, but the plan envisages production until 2040.

Phillips announced recently that it is considering a comprehensive plan to extend the economic life and enhance the value of the field by installing new facilities, to be called Ekofisk II, outside an area which is plagued by an annual rate of subsidence of 35 centimetres.

Concerned over safety at Ekofisk, the Norwegian Petroleum Directorate, the oil industry watchdog, last October warned Phillips it would close the main processing and transportation facilities at the field's storage tank, through which 40 per cent of Norway's petroleum production passes, by the winter of 1995-96.

The NPD said ageing technical equipment combined with inadequate maintenance were the main causes of concern over Ekofisk and ordered Phillips to submit a plan by July to remedy the problems. Phillips believes Ekofisk still contains 1bn barrels of extractable reserves.

Industry officials say Phillips aims to undertake the Ekofisk II project without having to seek outside financing, which would put a heavy burden on the cash-strapped company. That is also the reason that will be seeking substantial tax concessions for the project.

"The battle over Ekofisk II will not be fought over the technical solutions, but over redistribution of ownership of the field and the extension of the licence," officials said.

Phillips said it did not anticipate problems in securing financing for the project. A detailed commercial and definitive technical plan for Ekofisk II will be submitted to Norwegian authorities by the end of the year, for which the company hopes to gain approval by parliament during spring 1994 to meet a planned target of 1998 for start-up.

Phillips is also expected to deploy the most advanced technology available for Ekofisk II in which remotely-operated, unmanned platforms may be built in order to eliminate as many as possible of the 2,000 offshore jobs at the field, and thus reduce costs significantly.

Norway unveils reorganisation of gas sales policy

By Karen Fossli

NORWAY HAS unveiled details of a reorganisation of its gas sales system designed to give foreign oil companies greater influence over their natural gas reserves and to facilitate more efficient gas resource management.

From August the foreign companies will be represented in two-year rotations on a supply committee augmenting the existing Gas Negotiating Committee, comprised of the three Norwegian oil companies.

Gas sales administration has hitherto been conducted solely by the GFU, comprising Statoil, Norsk Hydro and Saga Petroleum.

Under the new plan, Statoil, providing the secretariat and chairman, will lead the supply committee, which will include Hydro and Saga and foreign oil companies Total, Norske Shell, Conoco, Elf Aquitaine, Esso, Phillips Petroleum and Neste Petroleum. It will take over GFU's role as adviser to the Ministry of Industry and Energy on the disposition of gas reserves and will advise the ministry on the development and utilisation of gas pipeline infrastructure and production capacity.

"The decision to establish a separate supply committee was taken by the Ministry of Industry and Energy in order to put greater emphasis on upstream issues and gain broader planning of supplies before the GFU starts sales talks," Statoil explained.

The foreign oil companies will be selected for two-year terms on the basis of their operatorships of licences.

US smelters face energy cost rise

By Laurie Morse in Chicago

THE HUGE government-owned electric utility that provides power to half of the US's pacific north-west has proposed a power rate increase that could dent the region's faltering economy, and is expected to trim output at some of the area's ten big aluminum smelters.

Rates for municipalities will go up an average of 15.7 per cent on October 1, but Mr Stuart Clarke, spokesman for the Bonneville Power Administration, said aluminium companies will see an increase of about 17 per cent. The BPA had earlier suggested the rise could be as high as 24 per cent.

The agency said that a two-year drought had reduced power production at its big hydro-electric projects, cutting revenues and contributing to the rate increase. Growing demands on the utility to protect fish and wildlife in its vast operating regions had also taxed the agency's budget.

The BPA delivers power to Washington, Oregon, Montana, Idaho, and several other western states. Ironically, the BPA said low aluminium prices contributed to the decision to hike power rates. The utility pegs the power rates it charges aluminium smelters to the world price of aluminum. With aluminium prices at historic lows, smelters have been receiving the cheapest power available from the BPA, reducing the agency's revenues. Analysts say the area's aluminum producers already pay 20 per cent more for power than competitors in other countries. Nine of the region's biggest smelters trimmed output by about 25 per cent in March, when the drought forced the BPA to reduce power delivery.

Green shoots appear at Royal Agricultural show

Thanks to the pound's devaluation Britain's farm sector is faring better than was expected a year ago

THIS YEAR'S Royal Agricultural Show at Stoneleigh in Warwickshire should, if everything had gone the way the politicians planned, have been a downbeat affair. The European Community's common agricultural policy has been reformed; EC commodity price guarantees have begun a three-year fall; and the hated set-aside is a reality. Farmers and those who trade with them were expecting the cuts to be biting hard by now.

Gillian Shaphard: She hoped her policies would help to cut the country's food trade gap of about £6bn a year.

But there was an accident last September. Sterling slipped out of the EC's exchange rate mechanism and was devalued. As a result EC farm prices, instead of falling, have risen in sterling terms. The consequent radical devaluation of the "green pound" has given most UK farmers a windfall.

At its lowest value last February the decline in the value of sterling, which under EC law has to be made up to UK farmers, was equivalent to a bonus of about 23 per cent. In other words those UK farm products which enjoy EC price support have, at times, been that much more valuable than was expected. And even though the pound's recent rally has reduced that advantage most British farmers are still about 17 per cent better off than they feared a year ago.

And when farmers have money they will spend it. UK tractors sales, for instance, are, according to the Agricultural Engineers Association, up 17 per cent at 8,052 units for the first six months of this year compared with the same period in 1992, which was, admittedly, a poor year. Nevertheless, it is a welcome and unexpected improvement for which manufacturers are truly thankful. On most of the farms to which they hoped to sell 15 per cent of the land had been compulsorily set-aside, so they had little expectation of such a lift in business.

Indeed long before such sales began to take place the biggest British manufacturers had decided to pull out of the Royal Show because of the high cost of mounting and manning exhibits and none of them now has its own stand at the show. It has been left to JCB for instance with its new Fastrac range of tractors but modest production potential to take up some of the prestigious stand space once occupied by Ford. And even Massey Ferguson, whose factory is just down the road from the show ground, in Coventry, has declined to exhibit this year.

This departure of major companies has left big holes across the 280 acre show ground. The organisers describe the spacious effect, with tongue in cheek perhaps, as "more user friendly" for visitors.

One theme of the show is

FARMER'S VIEWPOINT

By David Richardson

"producing for the market", in recogniition of UK farmers continuing reputation for being bad at marketing their produce. The existence, for almost 50 years, of guaranteed marketing schemes and prices has left the industry short of marketing expertise or even incentive. But now that those props are being progressively removed a steep learning curve is needed for survival.

The point was taken up by both Mrs Gillian Shephard, the minister of agriculture, and Mr David Naish, president of the National Farmers' Union, during their visits. The agricultural industry, said Mr Naish, must get its marketing act together in anticipation of a deal being reached in the General Agreement on Tariffs and Trade. "If we do not we run the risk that the Dutch, the Danes and the French will grab even more of the British food market."

The minister, just a month into her new job, declared that taking initiatives to encourage better marketing and promotion of farm products, together with maintaining the consumers' confidence in quality and safety throughout the food chain were among her priorities for the next few years.

She went on to say that as a result of her policies she hoped the country's food trade gap, at present about £6bn a year, would be reduced considerably by the end of the century.

But there is a long way to go. Mrs Shephard's own boffins in the Agricultural Development and Advisory Service, the ministry's advisory arm, recently concluded that there was a widespread inability among UK farmers to meet the needs of food industry buyers or to understand the business pressures they were facing; and an "us against them" attitude among farmers and growers towards retailers and manufacturers.

That must be corrected, the minister said. For the prosperity of agriculture was vital to Britain. Four fifths of the UK was farmland; while the farming and food industries together accounted for 9 per cent of GDP and 14 per cent of all jobs.

The farmers' stock reply is that they have been losing out to the food trade over recent years. While the UK consumer spend on food on food has increased from £32bn to £70bn since 1982 the value of agricultural output has gone up only from £10.5bn to £12bn. The obvious implication is that the supermarkets have pocketed the difference.

The truth is not quite that simple of course but such figures have added to the antipathy between some sectors of the food trade and their actual or potential suppliers.

But at least the food giants are now making a move towards farmers, if their presence at the Royal Show is a fair indication.

Safeway, which has been a regular exhibitor for some years, is at the show in strength on its own stand and sponsoring others; Marks & Spencer has returned after an absence of several years with the declared objective of getting closer to its suppliers and customers; and both Tesco and Northern Foods are also exhibiting, although the latter is probably there mainly to try to persuade more dairy farmers to join the Northern Foods Partnership and supply it with milk after the imminent demise of the Milk Marketing Board.

Nevertheless, their presence marks real progress towards the generally accepted goal of supplying more British food to British consumers.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD closed lower on the London bullion market after initial support from European investor buying was capped by producer selling. Dealers still saw the recent rally carrying the yellow metal through the psychologically significant $400 a troy ounce. But technical analysts expect significant resistance at that level. COPPER prices closed higher on the LME, while other metals closed mixed after a largely lacklustre day. Dealers said there was little market-moving news and, with the US market closed for Independence Day, the LME lacked interest for long periods.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Aug)		+ or -
Dubai	$14.50-4.60z	+.145
Brent Blend (dated)	$16.89-6.91	+0.22
Brent Blend (Aug)	$16.94-6.96	+0.17
W.T.I (1 pm est)	n/a	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$198-200	
Gas Oil	$162-163	+2
Heavy Fuel Oil	$60-62	+1
Naphtha	$165-166	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	[illegible]	-2.15
Silver (per troy oz)♣	488.5c	-4
Platinum (per troy oz)	$392.75	-2.25
Palladium (per troy oz)	$137.25	-8.75
Copper (US Producer)	90.50c	
Lead (US Producer)	34.83c	+1.18
Tin (Kuala Lumpur market)	[illegible]	-0.08
Tin (New York)	236.5c	
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	139.42	-3.34*
Sheep (live weight)†♣	103.14p	-13.42*
Pigs (live weight)†	82.98p	-4.21*
London daily sugar (raw)	$275.30	+6.8
London daily sugar (white)	$279.00	+4.25
Tate and Lyle export price	£294.50	+6
Barley (English feed)	£109.5t	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£147.0u	
Rubber (Aug)♥	58.50p	
Rubber (Sep)♥	59.00p	
Rubber (KL RSS No 1 Jul)	207.5m	
Coconut oil (Philippines)§	$440.0v	
Palm Oil (Malaysian)§	$352.5t	
Copra (Philippines)§	$290u	
Soyabeans (US)	£187.5x	
Cotton "A" Index	56.65c	
Woottops (64s Super)	352p	-5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Sep. z-Aug. v-Sep/Oct u-Jul t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

COCOA - LCE £/tonne

	Close	Previous	High/Low
Jul	730	739	741 731
Sep	745	747	745 739
Dec	745	746	747 739
Mar	757	759	757 751
May	767	769	769 762
Jul	777	779	780 775
Sep	789	790	786
Dec	807	808	806
May	836	837	837

Turnover: 4984 (18718) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 2 758.13 (727.38) 10 day average for Jul 5 727.26 (723.92)

COFFEE - LCE $/tonne

	Close	Previous	High/Low
Jul	919	899	920 910
Sep	953	928	952 932
Nov	951	928	951 937
Jan	947	925	948 935
Mar	946	925	946 934

Turnover: 2805 (1594) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 2 Comp. daily 56.17 (54.67) 15 day average 55.01 (54.60)

POTATOES - LCE £/tonne

	Close	Previous	High/Low
Apr	93.2	93.6	94.0 92.0
May	102.5	100.5	102.5 101.0

Turnover 110 (183) lots of 20 tonnes.

SOYAMEAL - LCE £/tonne

	Close	Previous	High/Low
Aug	-	157.50	

Turnover 0 (25) lots of 20 tonnes.

FREIGHT - LCE $10/index point

	Close	Previous	High/Low
Jul	1306	1303	1306 1300
Aug	1280	1275	1280 1270
Oct	1359	1358	1359 1355
Jan	1405	1398	1405 1390
Jul	1275	1270	1275 1270
BFI	1435	1447	

Turnover 86 (480)

GRAINS - LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	[illegible]	[illegible]	105.35
Nov	106.95	107.30	107.50 106.90
Jan	109.40	109.75	109.85 109.40
Mar	111.55	111.70	111.95 111.50
May	113.85	114.35	[illegible]

Barley	Close	Previous	High/Low
Sep	103.20	103.60	[illegible]
Nov	105.85	106.40	106.50 105.85
May	111.60	-	111.85 111.60

Turnover: Wheat 219 (277), Barley 38 (95).
Turnover lots of 100 Tonnes.

PIGS - LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	105.8	105.0	106.0 105.8
Apr	105.8	-	106.0 105.8

Turnover 4 (39) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 44,246 lots
Cash	1240-1	1239.5-40.5		1230.5-1.0		
3 months	1263.5-4.0	1262-3	1273/1253.5	1254.5-5.0	1264-5	n/a lots
Copper, Grade A ($ per tonne)						Total daily turnover 15,769 lots
Cash	1946.5-7.5	1923-4	1932	1932-3		
3 months	1946.5-7.0	1928-9	1955/1933	1935-6	1948-9	n/a lots
Lead ($ per tonne)						Total daily turnover 3,777 lots
Cash	384.5-5.5	388-8.5	386	385.5-6.0		
3 months	399-400	401.5-2	401/397	399-400	397-8	n/a lots
Nickel ($ per tonne)						Total daily turnover 4,947 lots
Cash	5280-90	5345-50	5300	5290-5		
3 months	5340-5	5400-5	5390/5335	5350-2	5335-40	n/a lots
Tin ($ per tonne)						Total daily turnover 1,281 lots
Cash	5055-65	5085-95		5050-5		
3 months	5110-5	5135-45	5120/5105	5105-7	5105-15	n/a lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,422 lots
Cash	923.5-4.5	926-7	923	922.5-3.0		
3 months	941-2	943-4	942/940	940-0.5	940.5-1.0	n/a lots

LME Closing £/$ rate: SPOT: 1.5115 | 3 months: 1.5003 | 6 months: [illegible] | 9 months: 1.4850

Copper and lead prices are now expressed in dollars per tonne

SUGAR - LCE ($ per tonne)

White	Close	Previous	High/Low
Aug	278.30	277.40	279.00 278.00
Oct	271.50	271.40	272.00 271.50
Dec	271.90	271.50	271.50
Mar	272.00	271.50	271.60 271.50
May	274.60	274.50	274.00
Aug	278.00	277.80	276.50
Oct	270.00	268.30	266.50

White 313 (1826) Paris- White (FFr per tonne): Aug 1598.79 Oct n/a

CRUDE OIL - IPE $/barrel

	Close	Previous	High/Low
Aug	16.93	16.74	17.06 16.76
Sep	17.07	16.94	17.23 16.98
Oct	17.27	17.12	17.30 17.20
Nov	17.40	17.36	17.54 17.40
Dec	17.72	17.61	17.81 17.70
IPE Index	16.89	17.04	

Turnover 12760 (50148)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low
Jul	160.25	159.75	162.00 159.50
Aug	161.25	160.50	162.25 160.00
Sep	162.50	162.25	163.75 161.75
Oct	165.75	165.00	166.50 164.75
Nov	168.00	167.00	168.00 167.00
Dec	170.50	170.00	170.75 169.50
Jan	171.75	170.75	171.75 171.00

Turnover 8101 (12671) lots of 100 tonnes

INDICES

REUTERS (Base:September 18 1931 = 100)

Jul 5	Jul 2	mnth ago	yr ago
1660.4	1669.5	1658.8	1545.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 2	Jul 1	mnth ago	yr ago
Spot	123.19	121.63	120.22	n/a
Futures	125.79	122.41	121.30	n/a

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	387.60-388.10	
Opening	386.75-387.20	
Morning fix	387.25	256.780
Afternoon fix	387.60	256.264
Day's high	387.90-388.30	
Day's low	386.75-387.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.49	6 months	2.51
2 months	2.50	12 months	2.81
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	323.75	488.50
3 months	328.25	492.05
6 months	332.60	496.00
12 months	341.90	505.35

GOLD COINS

	$ price	£ equivalent
Krugerrand	388.00-391.00	257.00-259.00
Maple leaf	399.10-401.60	-
New Sovereign	92.00-95.00	61.00-63.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1225	45	71	20	29
1250	32	58	31	52
1275	21	44	45	67
Copper (Grade A)	Calls		Puts	
1900	84	107	32	62
1950	56	82	54	86
2000	35	61	83	115
Coffee	Sep	Nov	Sep	Nov
850	108	115	3	14
900	84	80	11	29
950	33	52	30	51
Cocoa	Sep	Dec	Sep	Dec
725	39	54	19	34
750	25	41	30	46
775	16	32	46	62
Brent Crude	Aug	Sep	Aug	Sep
1700	22	33	29	46
1750	7	32	64	75
1800	2	18	109	111

Fear stalks Assam tea estates

Kunal Bose on a campaign of kidnapping and extortion

GOODRICKE GROUP, a leading Indian tea producer with a majority of UK shareholders, made an unusual entry in last year's balance sheet – a ransom payment of Rs2m (£42,000) to a militant group for the release of a garden manager in Assam.

The other tea companies owning gardens in Assam are also paying regularly to the extremists to buy peace. But unlike Goodricke they are not ready to admit it. That one company had paid Rs20m to the Bodo Security Force – an outlawed organisation representing the Bodo tribal group – to save the life of a kidnapped manager was revealed, much to the discomfiture of the company, by Assam government. The industry takes the state government's action as a clear message that such deals should be struck to secure the freedom of other kidnapped tea managers.

According to industry officials, the tea companies have been compelled to make many secret deals with the BSF and the United Liberation Front of Assam to protect the lives of their managers. They accept that the Assam government is in no position to provide security to 688 tea estates spread over 233,000 hectares (575,000 acres) but are anxious that it should not do anything which might encourage the militants in their violent campaigns.

Following the killing of Mr Surendra Paul, chairman of the Assam Frontier group, in March 1989, the owners and senior officials of tea companies have virtually stopped visiting the gardens, leaving the management to estate officials. The managers of gardens deal directly with the militants. The militants know exactly the quantity of tea produced by each garden and they calculate their financial demands accordingly.

Some tea companies refuse to pay money to the militants, but they are willing to undertake development work in the areas around the tea estates. That was the response of Tata Tea, India's largest plantation company, when the BSF asked it to pay $5m for the release of a manager who had been taken hostage on April 8.

But the BSF does not seem to be in a mood to listen. In the last few years, a number of garden managers, unable to cope with the pressures imposed by the militants, have taken premature retirement. And finding replacement is not easy. Industry officials admit that they are finding it increasingly difficult to "attract talents from outside the state". So far the production of tea in Assam has not been affected. But if the erosion of management continues, then it will have a telling effect on the industry in the next few years. Moreover, many tea companies are not spending enough for garden development work because of the uneasy situation.

Besides being the largest employer in the state, the tea industry makes the biggest contribution to the exchequer. Assam accounts for nearly half India's tea production.

Management confidence will be restored to some extent, industry officials believe, if the more vulnerable gardens in Darang, Borpeta and Sunitpur districts where the BSF writ runs are provided with guards equipped with modern arms. It has been tentatively agreed that while the Assam government will raise and train the protection force, the cost of maintaining the force will have to be largely borne by the industry. The government must ensure, however, that the militants do not infiltrate the force.

The state government will take a few months to raise the force and post it in the gardens. In the meantime, the industry will expect the state to seek the assistance of the army to flush out the militants in the Bodo dominated areas. Two army operations in 1991 did go a long way towards taming the ULFA militants.

India may export wheat

By Kunal Bose in Calcutta

INDIA MAY resume wheat exports this year following a rich harvest of 180.3m tonnes of foodgrains last year, leading to a record procurement of wheat and rice by government agencies, and the excellent progress so far of this year's south-west monsoon

Last year the country imported 3m tonnes of wheat from the US, Canada and Australia for distribution through ration shops.

While the food ministry is campaigning for the resumption of wheat exports, the federal government wants to watch the situation for a little longer before taking a decision. In the meantime, India will be exporting wheat products like flour.

There is no doubt, however, that India will be making attempts to step up exports of basmati, a fine long grain variety of rice, and of non-basmati rice. The minimum export price for basmati rice is $555 a tonne and for non-basmati $275 a tonne.

India's rice production is expected to go up to 78m tonnes in 1993-94 from 71.9m tonnes last year, creating adequate surplus for export. According to one estimate, Indian rice exports can rise to Rs15bn this year from about Rs10bn last year.

A boost will also be given to the export of pulses, the minimum price for which is $400 a tonne.

US markets were closed yesterday for the Independence Day holiday

Court dismisses banana challenge

THE EUROPEAN Court of Justice has dismissed an attempt by the Chiquita Banana Company and subsidiaries to declare the new EC import regime for bananas null and void, Reuter reports from Brussels.

Spiers, Bruigom and Viser, August Lehmann, Simba and Comaco lost similar cases.

But some banana operators could get compensation for commercial loss caused by the new rules, the court said. This will not be available until the Luxembourg-based court issues a full ruling on the regime, which could take two years.

The new regime, which imposes a 2m-tonnes a year tariff quota on imports of Latin American bananas, came into force on July 1 after the court rejected a German challenge.

LONDON STOCK EXCHANGE

Economic slowdown fears hit equities

By Steve Thompson

EVIDENCE that the economic recovery in the UK may be running out of steam, and persistent worries that the US economy has begun to falter, triggered another sharp sell-off of the FT-SE futures and continued to drive London's equity market lower at the start of the new two-week trading account yesterday.

The FT-SE 100 Index ended the session only marginally above the day's lowest level, a net 19.2 weaker at 2,838.5, the bottom end of its recent perceived trading range.

However, senior traders in London were reluctant to read too much into what was generally agreed to be a dismal showing by a London market unsettled by Wall Street's unhappy performance last Friday and the absence of any lead from the US yesterday, markets being closed for the Independence Day holiday.

Dealers also pointed out that fund managers would be reluctant to adopt aggressive positions in either direction ahead of tomorrow's G7 meeting.

Still unsettled by the late sell-off in equities last week, the FT-SE 100-share index opened in negative territory and continued to lose ground throughout the rest of a difficult trading session, led down by concerted selling efforts in the futures market.

The Footsie began some four points easier and moved progressively lower to reach 2,835.8 during the early afternoon, before embarking on a half-hearted rally which saw the index close within three points of the day's low.

Sentiment in the market was damaged from the outset with the latest report from the Institute of Directors saying that business confidence had fallen for the first time since the UK withdrew from the European exchange rate mechanism last September.

More bad news for the market came with the latest economic data showing a lower than expected increase in consumer credit during May. Money supply figures for June showing a year-on-year rise in MO of 4.6 per cent were slightly below estimates.

With the futures market still thoroughly depressed and under sustained pressure from the abritrageurs, who continued to sell the cash market aggressively and cover in the futures, the FT-SE 100 was left to find a trading level.

Dealers said there was widespread concern about the stability of international bond markets following last week's worrying economic data from the US, which revealed a marked slowing in non-farm payrolls. "If gilts and bonds do not fall out of bed, then we will be OK, but if not, then it looks tricky," was the view of a senior London marketmaker.

The lack of a lead from the US, plus the market's overall caution, saw turnover in equities fall to the lowest levels for many weeks. Volume totalled a meagre 384m shares, made up of 151m FT-SE 100 shares and 232.9m non-Footsie stocks, with the figures confirming despairing comments on the paucity of activity from market traders.

Brokers said yesterday's customer business would fall short of the £1bn level, which has been breached on the downside on only a handful of occasions this year.

The water issues, roughly handled in recent sessions, was one of the more resilient areas of the market, as were bank shares. But food retailing stocks continued to suffer from the impact of last week's remarks made by Asda.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ASDA Group†	11,000	84	-1½
Abbey National†	2,000	415	+3
Albert Fisher	2,000	84	
Allied-Lyons†	806	530	
Anglian Water†	929	472	+5
Argos	91	[illegible]	[illegible]
Argyll Group†	1,800	312	-5
Arjo Wiggins†	646	175	
Ass. Brit. Foods†	51	474	-6
Ass. Brit. Ports	452	412	-3
BAA†	318	724	+1
BAT Inds.†	3,000	413	-8
BET	1,900	118½	+1
BICC	564	392	-1
BOC†	188	683	-4
BP†	3,500	293½	-2½
BPB Inds.	1,200	210	+1
BT†	6,100	418	-½
BTR†	1,800	365	-1
Bank of Scotland†	1,800	152	-2
Barclays†	924	477	-4
Bass†	2,400	472	-10
Blue Circle†	4,000	243	-2
Booker	120	393	
Boots†	2,500	427	-7
Bowater†	1,100	470	-5
Brit. Aerospace†	2,600	386	+4
British Airways†	2,700	311	+3
British Gas†	3,400	282½	-1½
British Land	326	327	-2
British Steel†	6,900	89½	+1½
Bunzl	943	128	
Burmah Castrol†	63	702	-6
Burton	1,700	65½	-½
Cable & Wire.†	1,100	765	-11
Cadbury Schweppes†	324	456	-5
Calor Group	14	234	-2
Carlton Comms.†	17	770	-1
Coats Viyella†	524	236	
Comm. Union†	256	613	-4
Cookson	593	215	-2
Courtaulds†	895	545	-1
Dalgety	78	463	
De La Rue†	484	681	-5
Dixons	1,400	210	-3
Eastern Elect	380	489	-6
East Midland Elec.	1,000	468	-7
Eng China Clays	205	405	-4
Enterprise Oil†	454	465	-7
Eurotunnel Units	23	410	-6
FKI	1,300	143	-1½
Fisons	310	178	-½
Foreign & Col. I.T.	354	228½	-1
Forte†	715	226	-3
Gen. Accident†	1,300	671	-6
General Elect.†	4,300	321½	-3½
Glaxo†	2,000	547	+1
Glynwed Int.	749	294	
Granada†	1,000	421	+3
Grand Met.†	790	421	-5
GUS A†	186	1785	-5
GRE†	1,700	190	-2½
GKN	542	453	-3
Guinness†	1,800	472	-1
HSBC (75p shs)†	1,400	654	-3
Hammerson 'A'	11	281	-4
Hanson†	6,900	226½	+2¼
Hanson Warrants	1,100	23	+½
Harrisons Crosfield	163	177	
Hillsdown	770	144	-3
IMI	181	277	
ICI†	1,400	635	-4
Inchcape†	1,800	557	-13
Johnson Matthey	292	430	+3
Kingfisher†	611	598	-1
Kwik Save	207	721	-13
Ladbroke†	1,200	188	-1
Land Securities†	506	579	-7
Laporte	379	620	-4
Legal & General†	135	479	-3
Lloyds Abbey	1,000	438	+4
Lloyds Bank†	1,300	562	-6
LASMO	741	157	+1½
London Elect.	532	472	-6
Lonrho	2,300	124	+1
Lucas	580	140	-½
MB Caradon†	219	288	
MEPC	576	364	-3
MFI	1,300	130	-1
Manweb	95	537	-3
Marks & Spencer†	2,400	343	-5
Midlands Elect.	153	483	-9
Morrison (Wm.)	354	132	-1½
NFC†	691	248	+1
NatWest Bank†	1,700	481	-3
National Power†	3,600	364	-7
Next	1,400	173½	-1½
Rothmans†	328	689	-3½
Ryl Bk Scotland†	745	283	+1
Royal Insurance†	2,000	312	-1
Saatchi	55	172	
Sainsbury†	1,500	455	-12
Scottish & New.†	1,700	459	-2
Scot. Hydro-Elect.†	130	334	-3
Scottish Power†	1,800	315	-5
Sears†	1,200	99	+1
Sedgwick	1,800	201	
Seeboard	1,800	501	-10½
Severn Trent Water†	834	455	-1
Shell Transport†	2,800	611	-1
Siebe†	1,200	475	-6½
Slough Ests	1,500	208	-2
Smith (W.H.) A	587	447	+2
Smith & Nephew†	1,100	144½	-½
SmKl Beecham†	684	435	+1
SmKl Beecham Uts†	30	376	+1½
Smiths Inds	113	362	
Southern Elect.	1,100	494	-3
South Wales Elect.	5	550	-4
South West Water	208	493	+1
South West. Elect.	594	494	-3
Vodafone†	727	438	-4
Warburg (SG)†	102	722	-4
Wellcome†	595	845	-3
Welsh Water	399	570	-3
Wessex Water	72	529	
Whitbread 'A'†	3,700	489	-10
Williams Hldgs.†	138	320	-1
Willis Corroon	1,000	239	+1
Wimpey	933	159	-2
Wolseley†	8	627	-1
Yorkshire Elect.	717	525	-6
Yorkshire Water	123	476	-4
Zeneca†	1,700	619	-6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Jun 21	Jul 5	Jul 19
Option Declarations:		
Jul 1	Jul 15	Jul 29
Last Dealings:		
Jul 2	Jul 16	Jul 30
Account Day:		
Jul 12	Jul 26	Aug 9

*New time dealings may take place from 8.30am two business days earlier.

Import fears hit brewers

CONTINUING worries over the outlook for the domestic beer market left UK brewing shares trailing yesterday, with Whitbread coming under scrutiny from one broker and a series of downgrades accompanying figures from Scottish & Newcastle.

NatWest Securities reiterated its negative stance on the domestic brewers and its sell advice on Whitbread after warning that imported Continental beers and lagers are likely to pose an increasing threat to company profits. In particular, NatWest notes that Tesco has recently begun importing cheaper Stella Artois lager from Belgium, usurping supplies brewed under licence by Whitbread in the UK. This has added to concern that the broker has about Whitbread, which has a high rating having been earmarked in some quarters as a key recovery stock.

But the broker stresses: "The longer term effect will go far beyond premium Continental lagers and affect the whole pricing structure for lager in the off-trade. This in turn will further undermine the profitability of UK domestic brewers."

Figures from S & N were duller than the market had expected, with analysts' forecasts being cut to a range of around £200m to £230m. While the lesiure division performed well enough, flat domestic brewing numbers and fairly ordinary retail figures produced slightly disappointing profits.

S & N fell badly but recovered to close only 2 adrift at 459p. Whitbread "A" declined 10 to 489p on good volume of 3.7m. Bass lost 10 to 472p, Grand Metropolitan 5 to 421p and Wolverhampton & Dudley 6 to 496p.

BAe/GEC active

Confirmation that collaboration talks between British Aerospace and GEC had taken place but had now ceased continued to excite the market and made BAe the day's best performer among FT-SE 100 stocks.

Weekend press reports that the two groups were in talks about merging their defence operations led the two companies to issue a statement early yesterday saying: "Discussions on a fuller collaboration have ceased."

However, market watchers remain convinced that such a deal may be possible at a later date and a deal will necessitate a cash injection from GEC into BAe. The shares responded by moving 4 ahead to 386p on trading volume of 2.6m. GEC closed 11 lower at 322 ex-dividend, with most of that fall accounted for by the 7.62p final dividend payment.

Food retailers hit

Food retail issues were again under pressure as the market continued to reflect on the negative comments which accompanied Friday's results from Asda. Its chief executive declared the years of high growth and fat margins over and predicted several years of tough trading conditions. After Friday's heavy falls, stocks across the sector were again marked back. Argyll lost 5 to 312p, Iceland 6 to 324p, Kwik Save 13 to 721p, Nurdin and Peacock 6 to 216p, J Sainsbury 12 to 455p and Tesco 5 to 206p.

While talk in the sector was again of more downgrades to come, there was also attention focused on the likely strategies of individual stocks. One unlikely candidate from the fallout was Marks and Spencer, with some speculation being heard that the group may consider changing its stance on Sunday trading in order to combat the tough food retail environment. Sunday trading, which M&S has traditionally opposed, has seen as a key future battle area by industry analysts once the law has been settled. M&S shares slipped 5 to 343p.

Turnover in aero-engine manufacturer Rolls-Royce rose to 13m and the shares fell 3¼ to 141p on a combination of factors. UBS was said to have had a large amount of the company's stock and was beleived to have placed around 6m early in the session at 140p, which was below the market price. Sentiment was further dented by a 30-page sell recommendation from Carr Kitcat & Aitken. The agency broker said: "Profits will continue to be under pressure, there will be large cash outflow and there may be a need for a rights issue."

The company also said that the level of foreign share ownership had exceeded 29.5 per cent, the limit permitted under its articles of association and it was issuing notices that will force foreign holders above that limit to relinquish the stock.

Motor dealer T. Cowie signalled an end to its interest in motor group Henlys, for which it unsuccessfully bid last year, when SG Warburg bought and placed its near-10 per cent stake of 3.78m shares. The stake yielded a healthy for Cowie when Warburg having bought them at 181½p, placed most of the stock with institutions at 183p. The market appreciated the deal and shares in Henlys advanced 2 to 191p, while Cowie closed unchanged at 248p.

The financial areas of the market continued to hold up well in the face of the overall decline yesterday. In the banks, Abbey National was the outstanding performer, with its strong profits flow and solid defensive stance behind some keen support from institutions. Abbey shares moved up 3 to 415p albeit in rather thin turnover of only 2m shares.

The rest of the clearers, however, gave ground as the market became increasingly aware of the growing view that another cut in UK interest rates may be some way off.

One banking analyst said the sector looks "increasingly stretched" and pointed out that the banks sector yield relative is heading back to levels not seen since the 1970's, "leaving little margin for error in view of the pressure which appears to be resurfacing on banking margins."

Lloyds Bank, due to kick off the banks' interim reporting seasons at the end of this month, dropped 6 to 562p, while Barclays lost 4 to 477p, and NatWest and HSBC 3 apiece at 481p and 654p respectively.

A block of 880,000 shares in Lowndes Lambert was placed by Kleinwort Benson Securities with a number of institutions at 397p a share.

Ladbroke Group held up well against a rumoured downgrade from Hoare Govett, the shares losing a penny to 188p. The negative sentiment in First Leisure continued and the stock dropped 10 to 335p. Granada benfited from favourable weekend comment over its recent television manoeuvring and gained 3 to 421p.

Concerns over low food price inflation again kept food manufacturing stocks under a cloud. Associated British Food declined 6 to 474p, Northern Foods 6 to 269p and Cadbury-Schweppes 5 to 456p.

Property group Greycoat announced that it was discussing with Postel Investment Management a possible restructuring of its capital base and debt. Although Greycoat said it would make another statement in the next 48 hours, there was no comment on weekend press reports that it intended to make a £120m rights issue. The reports suggested that Postel would underwrite the issue at around 12¼p, a substantial discount to yesterday's price. The shares closed three-quarters down at 19½p.

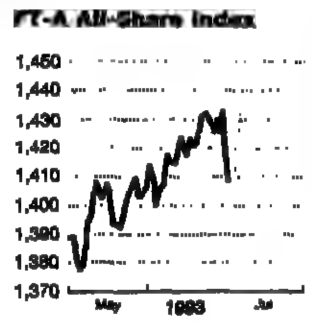
After their recent strong performance, the regional electricity stocks were subject to profit-taking. Among those hit were, East Midlands dropped 7 to 468p. Midlands 9 to 483p and Eastern 6 to 489p. A move by National Power into the US market, with the £105m purchase of Texan gas supplier, failed to prevent it slipping back with the sector. The shares shed 7 to 364p.

The market's latest newcomer, Business Post, continued the recent run of sparkling Stock Exchange debuts, with the shares closing at 133p, compared with the 120 placing price.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Christopher Price.

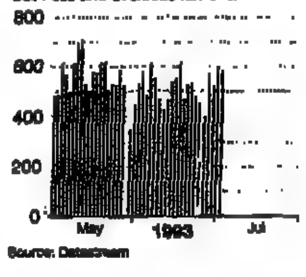
■ Other statistics, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

FINANCIAL TIMES EQUITY INDICES

	July 5	July 2	July 1	June 30	June 29	Year ago	*High	*Low
Ordinary share	2225.3	2237.9	2262.0	2270.9	2263.0	[illegible]	2299.5	2124.7
Ord. div. yield	4.15	4.13	[illegible]	4.09	4.10	4.87	[illegible]	4.07
Earning yld % full	4.93	4.90	4.86	4.85	[illegible]	7.13	6.38	4.82
P/E ratio net	25.95	26.14	26.33	26.41	26.40	17.61	26.57	19.40
P/E ratio nil	24.06	24.19	24.37	24.45	24.43	16.34	24.60	18.14
Gold Mines	225.2	228.9	209.4	208.8	201.9	89.5	228.9	80.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2234.4	2228.7	2224.0	2227.3	2224.4	[illegible]	[illegible]	2224.8	2225.1	2234.6	2221.4

Volume	July 5	July 2	July 1	June 30	June 29	Year ago
SEAQ Bargains	25,014	33,980	30,086	28,598	26,987	19,491
Equity Turnover(£m)†	-	1238.9	1397.6	1098.2	1103.3	591.4
Equity Bargains†	-	38,181	37,076	34,356	31,375	22,265
Shares traded (ml)†	-	585.2	589.2	517.1	578.2	282.6

† Excluding intra-market business and overseas turnover

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

... Zero Pl., Drayton Recovery Pfd., [illegible] & Col. Smlr Co's, Gartmore Amer. Secs. Zero Pl., Govett Amer Endeavour, Grosvenor Dev., Melville SL, New Zealand Inv., Olim Zero Pl., Pantheon Wts., RIT Cap. 2½pc Cv. '00, Schroder Spit Inc., Scot. Natl. Zero Pl., Scot. Value, Sphere Zero Pl., Sumit, Yeoman Zero Pl., MEDIA (6) Black (A & C), Central ITV, LWT 3.9375p Pl., Mirror, Sterling Publg., WPP, Yorks.-Tyne-Tees, Do Wts., MTL & MTL FORMING (2) Lee, Tinsley, MISC (2) Bluebird Toys, Silentnight, MOTORS (3) Evans Halshaw, First Tech., Henlys, OIL & GAS (1) Villers, OTHER FINCL (3) Edinburgh Fd. Mngrs., Perpetual, Strategem, OTHER INDLS (1) Whitecroft, PACKG, PAPER & PRINTG (2) Kymmene, Repola, PROP (5) Benchmark, Land Sec. 10pc Db. '25, Do 10pc Db. '27, Do 10pc Db. '30, Whitney Mackay-Lewis, STORES (4) Courts, Fine Art Devs., Menzies, Moss Bros, TEXTS (2) Dewhirst, Honeysuckle, TRANSPORT (2) Bergesen, TNT, MINES (27) Anglo Amer Gold, Anglo Amer., Beatrix, Bleichi, Bougainville, De Beers Units, Delta Gold, Durban Deep, ERGO, Emperor Mines, Europa Minerals, Gold Fields SA, Hemlo, Kinross, Mount Burgess, Nevan, Do 5pc Cv., Niugini, Normandy Poseidon, Pancont'l, Placer Pac., Portman, PosGold, Resolute, Stilfontein, Western Mining, Winkelhaak.

NEW LOWS (48).
AMERICANS (1) Melvy Tech., CANADIANS (1) Derlan, BANKS (1) Espirito Santo, BREWERS (1) Wolv. & Dudley, BUSINESS SERVS (3) Barbour Index, Penna, Scott Pickford, CHEMS (3) Card, Do 7p Pf. '09, Wardle Storeys, CONGLOMERATES (1) Hanson 9½pc Cv., CONTG & CONSTRCN (2) Barla, Raine, ELECTRICALS (1) Electrolux, ELECTRONICS (1) Domino Prtg., ENG GEN (1) Wellman, FOOD MANUF (6) BSN, Cranswick, J.J. Sims, Yorks., FOOD RETAILING (5) Morrison (Wm), Do 5¼pc Pf., Tesco, HEALTH & HSEHOLD (5) Beepak, Glaxo, Halstead Nycomed A, Do B, Wellcome, HOTELS & LEIS (1) Eurocamp, INV TRUSTS (2) Contra-Cyclical Inc., Schroder Spit Cap., MEDIA (2) Radio Clyde, Southern Radio, MTL & MTL FORMING (1) Johnson Matthey, MISC (2) BAT Inds., Cornwell Parker, OIL & GAS (1) Woodside, OTHER FINCL (1) Alex. PACKG, PAPER & PRINTG (4) Clondalkin, MR Data Mngemt., St Ives, Smurfit, PROP (1) Waterglade, TEXTS (3) Dawson, PEX, Stoddard, PLANTATIONS (1) Highlands.

EQUITY FUTURES AND OPTIONS TRADING

CONCERN over both the US and UK economies led to nervous trading which brought a retreat in stock index futures on the first day of the new account, writes Joel Kibazo.

A survey from the Institute of Directors indicating doubts about the UK economic recovery led to nervous trading from the outset as the September Footsie contract opened at 2,857, though it was at a premium to the cash market.

However, the premium was eroded within the first half-hour of trading as strong selling drove the contract down to 2,839 as worries about the economy took hold.

Poor data on UK money supply and consumer credit kept the contract subdued for the rest of the session, only occasionally trading at a premium to cash.

It closed at the day's low of 2,837, a 7-point discount to its fair value premium to cash, which fell to 7 points on this account. Volume was a reasonable 8,840 contracts.

Good business in Asda stock options boosted total option turnover yesterday to 30,686 contracts. It traded 7,840 lots, with most of that total coming from the July 67 puts.

It was followed by BT at 2,107 and then by British Gas with a day's total of 1,108 lots. The list of active stock options also included Hanson and Lonrho.

Just over 8,000 contracts were dealt in the FT-SE 100 option and 4,933 were traded in the Euro FT-SE 100 option.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2838.5 -19.2	3219.0 -15.8	1408.36 -8.47

Hourly movements

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

Continued on next page

CROSSWORD

No.8,194 Set by DINMUTZ

ACROSS
1 Bass-like perhaps good enough for a peck? (8)
5 Knowledgeable but a bit over-sedulous (6)
9 See driver scrape hard tree down under! (8)
10 Strikes coins (6)
12 Cramp in the upper leg (9)
13 Exclusive high-priest, note (5)
14 Peak fun for students after opening of college .... (4)
16 .... peak where first woman takes a breather (7)
19 Almost due to return after papal trip? Show appreciation (7)
21 Home fixture for Avon City (4)
24 Fish for a diet-conscious nurseryman? (5)
25 Bob's spot-on ancestry (5-4)
27 Royal - velvet-clad possibly (6)
28 One who falls for a film-director? (8)
29 Short miners with immaculate leader (6)
30 Saw red, being unshaven (8)

DOWN
1 Man jumping on board? (6)
2 Tempestuous tale about a maiden (6)
3 A doctor carries it for the round (5)
4 Frolicking, yet treating English poet with gravity (7)
6 Stealing away to find one temple in ruins (9)
7 Guard despatched over new line (8)
8 Minutely examines underworld factions (8)
11 Ball, leg-break, to stare at? (4)
15 Piggy diet of one lower member? (5-4)
17 Position for bowler, having been taken off (8)
18 Ring through to Tate, possibly, for Patience? (8)
20 Drugs news? (4)
21 Hector Black with American shine (7)
22 Despondent as mild goes off! (6)
23 Netted fish from river put on scale (6)
26 Bows as heraldic devices (5)

Solution to Puzzle No.8,193

JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		18¾xd	-⅛	28⅞	15¾	14,018	2.8
Allegheny & W	♥	828p	+16	836p	399p	328.3	3.0
Amdahl		328p	-19	591p	302¾p	380.7	0.9
Amer Cyanamid		34¼	-1¼	38⅝	31¾	3,087	3.0
Amer Express		20⅞xd	-⅞	21⅝	14⅝	8,888	3.1
Amer T & T		41⅞xd	-⅛	42⅞	33⅛	54,841	2.0
Ameritech		52⅝	-⅛	54½	46	23,047	4.4
BankAmerica		29¾xd	-⅛	30⅛	27⅛	10,370	3.0
Bankers NY		46xd	-⅛	51½	42⅝	3,932	4.0
Bell Atlantic		35¼	-1¼	39½	32¼	16,617	4.4
BellSouth		36⅛	-⅛	38⅞	32⅞	17,845	4.9
Bethlehem Steel	♥	12¼xd	-⅛	13¼	10	1,108	-
Bowater		1323pxd	+23	1682p	1293p	479.4	1.9
CPC		28⅛xd	-⅛	34⅛	26	4,978	3.0
California Engy		1414p	-16	1479p	1088p	257.4	-
Chase Manhattan		21½xd	—	24½	17⅝	3,358	3.5
Chrysler		30⅞xd	-⅞	37⅞	21¼	8,913	1.2
Citicorp		20xd	-⅛	20⅞	13⅞	7,311	-
Colgate-Palm		37⅞xd	-¼	45⅝	35⅛	6,047	2.1
Cont'l Bank		1963p	-19	1877p	1276p	1,578	2.4
Dana		35xd	-⅞	39⅞	28⅜	1,887	2.9
Data General		612p	-48	951p	587p	168.9	-
Decora Inds	♥	134p	-⅞	146p	108p	-	-
Dun & Brad		38½	-⅛	42⅞	37⅛	6,862	4.0
Eaton	b	29⅛xd	-⅛	31⅛	25⅞	2,088	2.4
Echlin		18⅞xd	+⅞	18⅞	15⅞	1,078	2.4
FPL		25¼xd	—	27⅞	23¼	4,987	6.2
Ford Motor		33xd	-⅛	39½	28⅞	16,107	1.9
Gen Elect		63⅞xd	+⅞	66⅞	53⅞	54,178	2.5
General Host	♥	529p	+16	729p	513p	-	4.3
Gillette		36⅞xd	+⅛	42⅝	31⅞	8,075	1.4
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.7
[illegible]		[illegible]					

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Greenwich Res	19¼	+¼	22¼	5	18.0	–
Hamto Gold CS	67¼	+½	67¼	63½	701.8	1.3
Ivernia West K	48	.....	67	31	24.1	–
Kalis Mola K	13	.....	19	8	0.31	–
Kenunara	8	.....	13½	6	9.01	–
Malinga Res.	18	.....	28½	13½	1.88	–
Nevan Res K	91¼	+1	100	25	18.5	–
5pc Ln Notes	91¼	+1	91¼	26	18.4	–
Oryx Gold	78½	.....	78½	47	–	–
‡‡Ovoca Res K	3½	.....	3½	3½	0.24	–
RTZ	678	+1	709	607	8,983	3.8
Vizcaya	6¼	.....	8¼	2¼	3.08	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
■ "Top Value"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
Figures or report awaited
Not officially UK listed; dealings permitted under rule 535(4)(a)
Free annual/interim report available, see details below.
USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
Price at time of suspension
Indicated dividend yield after pending scrip and/or rights issue.
Merger bid or reorganisation in progress
Forecast dividend yield; p/e based on earnings updated by latest interim statement.
Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v (as) subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4849. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (†) - 0001 to 1100 hours; (‡) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071-407 5966

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	392.29	392.29	417.33	-0.89	4.29
Global Inc	5	60.11	60.11	63.95	-0.58	3.03
Brit Leaders	5	305.49	305.49	324.99	-0.95	2.19
Intl Leaders	5	189.69	189.69	200.79	-0.79	0.65
P Am Mkt Bal Gain Inc ♥	3¼	64.74	66.26	58.45	-0.56	2.7

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Trust	6	52.01	52.15	55.49	-0.15	1.22
Far Eastern Tst	6	81.88	82.70	88.70	-0.30	0.45
Smaller Cos	5	157.4	161.9	172.3	+0.2	1.61

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American ♣	5	263.7	263.7	279.0	-5.0	0.87
S & W Capital	5	119.5	119.5	128.1	-0.5	1.88
S & W Cash ♣	0	101.25	101.25	101.25	+0.01	5.38
S & W European	6	111.8	111.8xd	118.5	-0.3	1.01
S & W Far Eastern	6	147.8	149.5	159.2	+0.1	0.00
S & W Growth	5	128.8	128.8	136.2	-0.2	1.17
S & W Income	5	114.8	114.7	122.4	-0.3	4.67
S & W Magnum	5	124.1	124.1xd	133.2	-0.6	1.69
S & W Smlr Secs	5	318.1	326.0	344.9	-0.2	0.45
S & W Thoroughbred	5	146.7	145.7xd	156.4	-0.7	1.52

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.82	49.82	50.32	+0.01	5.3
Chrtfd Finance	5½	56.57	56.90	60.69	-0.06	7.8
Ethical	5½	52.82	53.41	56.81	-0.24	3.9
European Growth	5½	67.87	68.05xd	67.61	-0.36	2.0
Income	5½	52.36	52.78	56.29	-0.39	5.6
Intl Growth	5½	79.79	80.31	85.69	-0.36	2.9
Managed	5½	69.87	69.60xd	74.23	-0.80	3.6
UK Growth	5½	56.17	56.75	60.53	-0.67	4.4

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt American Portfolio	138.1	140.9xd	-0.59	0.00
Mngd Pens P'folio	174.4	179.5	-1.09	0.00

Fledgeling Charity Portfolio
25 Copthall Avenue EC2R 7DR 071-638 5858

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	£1.1304	1.1898	—	3.91
Bond	£1.0355	1.0601	—	8.50

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£612.70	620.61	-2.82	1.38
Gen Exempt	£753.89	758.95	-1.76	3.30
Jap Exempt	£589.92	600.31	-12.20	1.04
Pacific Exempt	£157.10	160.85	+1.18	1.59
Contl Euro Exempt	£119.08	121.43	-0.26	2.35

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Acc Jun 29	188.6	194.0	+0.8	3.50
Balanced Inc Jun 29	183.4	190.6	-2.8	3.66
Latin American Acc Jun 30	104.1	105.3	-1.1	1.52

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital May 27	557.10	581.30	—	3.09
Gross May 27	206.75	208.41	—	10.06
High Yield May 27	344.30	347.04	—	7.49

* Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt	109.10	113.17	-0.01	3.00

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	61.76	63.03	-0.36	2.78
Henderson TR				
Ex European	1297.30	1306.27	-8.24	1.09
Ex Nth American	1398.77	1407.76	-0.08	0.72
Ex Pacific Basin	936.83	949.75	-4.17	0.63
Ex Smaller Cos Inc	1940.83	2049.39	+3.32	2.53
Ex Smaller Cos Acc	2078.60	2195.92xd	+3.55	2.53

INVESCO Asset Management Ltd
Exempt Funds

Lazard Brothers & Co. Ltd

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Asse. Co Ltd - Contd.				
Alpha Pension Funds				
UK Alpha	228.4		-2.6	-
US Alpha	120.1		-0.2	-
Gilt Alpha	87.1		+0.1	-
Gold Alpha	100.7		+2.2	-
Japan Alpha	44.2		-8.4	-
US Dollar Alpha	73.4		+0.3	-
Yen Alpha	90.4		-0.6	-
DM Alpha	88.7		-0.1	-
European Alpha	90.0		-1.7	-
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Gold Range (Pensions)				
Managed Fund	187.1		-1.0	-
Provident Mutual Life Assc. Assn.				
6 Hills Way Stevenage Herts SG1 2ST 0438 732000				
Managed Ord	416.6	438.5	-1.6	-
Managed Init	294.2	309.7	-1.4	-
Equity Ord	621.1	653.8	-4.3	-
Equity Init	436.9	461.7	-3.1	-
Index Linked Gilt Ord	198.3	208.8	—	-
Index Linked Gilt Init	144.9	152.4	—	-
Overseas Equity Ord	334.0	351.6	-0.9	-
Overseas Equity Init	235.9	248.3	-0.8	-
Property Ord	228.8	240.8	+0.1	-
Property Init	161.6	170.1	+0.1	-
Fixed Interest Ord	265.7	279.7	+0.6	-
Fixed Interest Init	187.6	197.5	+0.3	-
Deposit Ord	197.0	207.4	+0.1	-
Deposit Init	139.1	146.4	—	-
Pension Funds				
Managed Ord	549.5	578.4	-2.6	-
Managed Init	388.0	408.4	-2.1	-
Equity Ord	845.6	890.1	-7.5	-
Equity Init	597.1	628.5	-5.5	-
Pen Ind Lkd Gilt Ord	223.6	235.4	—	-

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	406.2	427.6	-1.20	-
Equity	607.8	684.3	-1.80	-
Property	243.5	256.4	+0.10	-
International	398.7	419.7	-1.70	-
Japanese	112.8	118.8	-1.20	-
Asia Pacific	141.9	149.8	-0.70	-
European	106.6	112.3	-0.10	-
American	144.8	152.3	-0.30	-
Fixed Interest	345.8	363.8	+0.60	-
Index-Linked Gilt	186.4	196.4	—	-
Cash	220.4	232.1	—	-
Life Funds (Second Series)				
Managed	113.1	119.1	-0.30	-
Equity	109.1	114.9	-0.40	-
Property	102.4	107.8	—	-
International	123.3	129.8	-0.50	-
Japanese	113.1	119.1	-1.20	-
Asia Pacific	138.7	146.0	-0.70	-
European	105.7	111.3	-0.20	-
American	141.4	148.9	-0.30	-
Fixed Interest	130.0	136.9	+0.40	-
Index-Linked Gilt	120.5	126.9	—	-
Cash	109.4	115.2	—	-
Pension Funds				
Building Society	173.8	183.0	—	-
Managed (Init)	234.6	247.0	-0.80	-
Managed (Acc)	466.3	490.9	-1.10	-
Equity (Init)	264.1	278.0	-1.10	-
Equity (Acc)	524.8	552.5	-2.10	-
Property (Init)	148.0	155.8	+4.90	-
Property (Acc)	294.1	309.6	+8.00	-
International (Init)	236.6	249.1	-1.40	-
International (Acc)	469.3	493.0	-2.80	-
Fixed Interest (Init)	231.5	243.7	+0.90	-
Fixed Interest (Acc)	459.9	484.2	+1.70	-
Cash (Init)	153.9	162.1		-

	Bid Price	Offer Price	+ or -	Yield Gross
Sun Alliance Group - Contd.				
Worldwide Bond	165.6	174.3	—	-
Fram Special Managed	180.3	187.7	-0.3	-
Fram America Smllr Cos	169.2	178.2	+1.0	-
Fram America Turnaround	164.9	173.6	+1.0	-
Fram Capital Tst	150.9	158.9	-0.3	-
Fram Ind Growth	164.8	173.5	-0.4	-
Fram Japan & General	226.4	238.4	-2.7	-
Fram Recovery Tst	223.5	235.3	-0.8	-
GT Special Mngd	150.7	158.7	-0.4	-
GT Amer Spec Sits	171.5	180.6	—	-
GT Capital	183.3	193.0	-0.5	-
GT European	131.3	138.3	-0.6	-
GT Far East & Gen	170.2	179.2	-1.1	-
GT International	147.9	155.7	-0.7	-
GT Japan & General	132.8	139.8	-1.1	-
GT US & General	202.3	213.0	+0.8	-
Quester Intl	98.70	103.9	-0.6	-
Investor Funds				
Bankinvest	101.0	106.4	-0.7	-
Bankinvest Conservative	96.80	101.9	-0.1	-
EBS Deposit	109.9	115.7	—	-
EBS Equity	118.1	124.4	-1.0	-
EBS Managed	406.4	427.8	-2.0	-
I.A.S. Pens	281.6	295.1	-2.0	-
Index Exempt Portfolio	96.20	101.3	-1.0	-
Rescityle Trustee Pens	147.2	155.0	-1.0	-
Phoenix Life Funds				
Wealth Assured	567.8	597.6	-5.5	-
Ebor Phoenix Eqty	422.2	456.2	—	-
Phoenix Pension Funds				
Special Mnged	246.8	259.7	-1.7	-
Building Society	235.2	247.5	—	-
Equity	278.4	293.0	-2.4	-
Fixed Interest	257.4	270.9	+0.7	-
International	242.8	255.3	-1.2	-
Money	248.8	261.8	+0.1	-
Property	171.8	180.8	—	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Circuit Portfolio	6	21.2321	1.2131	1.2882	-.0038	0.10
Gilt	3	0.9982	0.9982	1.0293	+.0001	7.77

Prudential Fund Managers (Jersey) Ltd
PO Box 103, St Helier, Jersey 0534 70006
Prudential Currency Fd (formerly Vanbrugh Currency Fd)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income (A & B)	5	210.7	210.7	221.3		3.46
Growth (C & D)	5	317.4	317.4	333.3	-0.1	–

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 27441

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Govt Secs Fd	4	55.86	55.85	58.14	+0.07	7.57

Standard Bank Fund Mgmt (Jersey) Ltd
PO Box 583, St Helier, Jersey CI 0534 67557

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Bond	5		15.59	16.82	-0.03	4.55
Sterling Bond	5		9.6945	10.24	+0.03	6.44
Sterling Cap			42.62	42.63	+0.01	5.30

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey 0534 503002
TSB Offshore Investment Fund Ltd

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stg Deposit Class	3	101.38	101.38	104.32	+0.04	5.00
Gilt & Fixed Interest	3	117.61	117.61	122.12	-0.01	7.68
Blue Chip & Gilt Edged	5	60.43	60.43	63.61	-0.01	3.58
International Bond	5	136.62	136.62	143.67	-0.02	4.93
UK Equity	5	251.07	261.69	275.46	-1.39	1.20
International Equity	6	178.85	181.03	195.58	-0.35	0.35
Far Eastern	5	188.41	188.31	175.52	+0.38	0.00
European	5	125.88	128.25	132.90	-0.70	0.00
Pan American	5	383.73	387.84	398.58	-1.04	0.00

TSB Gilt Fund Ltd

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Quarterly Share	3	108.45	108.45	109.93	+0.18	7.84
Monthly Share	3	105.70	105.70	109.18	+0.18	7.89

JERSEY (REGULATED)(**)

Barclays Intl Funds

Banque Scandinave a Luxembourg SA - Contd.

Barclays Diversified Portfolio
14 rue Aldringen L-1118

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611 010 352 404344

CMI Asset Management (Luxembourg) SA
203 route d'Arlon, L-1150 Lux. 010 352 459025

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

France under more pressure

THE FRENCH franc yesterday came under more pressure inside the European exchange rate mechanism as dealers took the view that France will find it hard to live with the current pace of Bundesbank interest rate cutting for much longer, *writes James Blitz*.

Last week, the Bundesbank cut its discount rate by 50 basis points to 6.75 per cent, in a move which added to hopes that European monetary policy was easing and that tensions in the ERM had subsided once and for all.

However, the Bank of France almost immediately tooka advantage of the German cut, bringing its intervention rate down to Germany's discount rate level last Friday. Some dealers argued yesterday that the speed with which the French authorities followed the German move suggested that France would do whatever was necessary to ease monetary policy and boost the economy.

That sentiment has pushed the franc nearly two centimes lower against the D-Mark in the last week, to close yesterday at FFr3.386 from a close on Friday night of FFr3.383. On its ERM divergence indicator, the franc closed yesterday at a remarkably low level of minus 61 percentage points.

The franc has partly been undermined by a broader feeling in foreign exchange markets that Europe's central banks have been too ambitious in trying to decouple their monetary policies from the Bundesbank.

The Bundesbank cut – and signs that M3 money supply growth are falling into line with Bundesbank targets – helped to strengthen the D-Mark against several European currencies yesterday.

The Danish krone closed a touch weaker at DKr3.8483. The divergence between the Dutch guilder and the D-Mark also narrowed to 36 basis points having been as high as ½ a percentage point in recent weeks. Even the dollar has shown signs of weakness against the D-Mark, after breaking through the key level of DM1.67 three weeks ago: last night it closed in London nearly ½ a cent weaker on the day at DM1.6960.

However, the franc appears particularly vulnerable, having been undermined by a rising tide of grim economic news. Mr Jim O'Neill, head of research at Swiss Banking Corporation, says that the French economy is undermined by bad consumer expenditure and corporate earnings figures, and a belief that the government of Mr Edouard Balladur, the French prime minister, has only a limited window of opportunity to boost the economy before the Presidential elections due in 1995.

Sterling was the one currency to perform strongly against the D-Mark yesterday, rising ¼ a pfennig on the day to close at DM2.5625. The currency was helped by higher-than-expected figures for net consumer credit in May, and a report from Treasury advisers showing that the UK was set for above trend growth.

£ IN NEW YORK

Jul 2	Close	Previous Close
£ Spot	1.5070 - 1.5080	1.5150 1.5160
1 month	0.36 - 0.35pm	0.36 0.35pm
3 months	1.00 - 0.98pm	0.97 0.95pm
12 months	3.08 - 3.00pm	3.08 3.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jul 5	Previous
8.30 am	81.2	81.3
9.00 am	81.1	81.2
10.00 am	81.1	81.2
11.00 am	81.2	81.3
Noon	81.2	81.2
1.00 pm	81.2	81.2
2.00 pm	81.2	81.4
3.00 pm	81.3	81.3
4.00 pm	81.3	81.1

CURRENCY RATES

Jul 5	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.924206	0.765610
US Dollar	3.00	1.39740	1.15569
Canadian $	4.73	1.80041	1.49579
Austrian Sch	8.25	16.6542	13.7966
Belgian Franc	6.00	48.6400	40.3249
Danish Krone	7.25	9.10695	7.54722
D-Mark	6.75	2.36482	1.96005
Dutch Guilder	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	186.470	-3.31	4.95	56
Spanish Peseta	134.250	149.650	-2.86	4.60	52
Irish Punt	0.808628	0.804909	-0.46	1.95	37
Dutch Guilder	2.19672	2.20193	0.24	1.24	7
Belgian Franc	40.2123	40.3249	0.28	1.20	4
D-Mark	1.94964	1.96005	0.53	0.95	-11
French Franc	6.53883	6.63423	1.46	0.03	-61
Danish Krone	7.43679	7.54722	1.48	0.00	-51

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5050 - 1.5135	1.5110 - 1.5120	0.38-0.36cpm	2.94	1.02-0.98pm	2.65
Canada	1.9375 - 1.9470	1.9400 - 1.9410	0.30-0.22cpm	1.61	0.70-0.56pm	1.33
Netherlands	2.8700 - 2.8850	2.8750 - 2.8850	[illegible]	-1.04	[illegible]	-0.78
Belgium	52.50 - 52.85	52.70 - 52.80	1-6cdis	-0.80	7-11dis	-0.68
Denmark	9.8450 - 9.8800	9.8650 - 9.8750	[illegible]	-2.36	[illegible]	-2.15
Ireland	1.0480 - 1.0540	1.0520 - 1.0530	0.04-0.07cdis	-0.63	0.10-0.15dis	-0.48
Germany	2.5560 - 2.5675	2.5600 - 2.5650	[illegible]	-2.05	[illegible]	-1.68
Portugal	243.05 - 244.60	243.60 - 244.60	111-121cdis	-5.70	321-350dis	-5.50
Spain	195.05 - 195.85	195.30 - 195.60	93-107cdis	-6.14	229-256dis	-4.94

MONEY MARKETS

Worries on France

THERE were suggestions in French money markets yesterday that France's interest rates may have to stay high for somr time,following the franc's poor *performance inside the European exchange rate mechanism*, *writes James Blitz*.

Several weeks ago, the outlook for French financial instruments was strong, and French 10 year bond yields moved close to their German counterparts amid fears over German inflation.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

Profit-taking led to new weakness in French bonds and the French currency on Friday, and this trend continued yesterday. But some dealers added that the right wing government looked to be under increasing pressure to push interest rates well below German levels at any cost, and this was forcing dealers to *re-think the outlook* for French rates.

Concerns were raised over the extraordinarily high levels of French unemployment, a record 11.5 per cent in May, which may fuel the government's desire to ease monetary policy. However this speculation had a negative effect on the currency, possibly making it difficult for the Bank of France to ease policy.

Three month French cash therefore moved sharply higher on the day, rising nearly 20 basis points to close *at 7.05 per cent on the bid side.*

The September French franc futures contract also closed 9 basis points lower at 93.40, suggesting that French rates will come down by less than ½ a percentage point over the next 2¼ months.

German money markets saw little action, with the Bundesbank having already set a fixed rate repo at 7.30 per cent for this week. The September Euromark contract closed up 1 basis point at 93.16.

Sterling markets were little moved, although futures dealers remained confident that ½ a percentage point will *come off base rates before* the end of the year.

The speedy removal of a £1.4bn shortage left 3-month money unchanged at 5¾ per cent. The December short *sterling contract* was *more-or* less unchanged at 94.44.

Italy yesterday reduced its main interest rates by 1 per centage point with the discount rate coming down to 9 per cent and the Lombard rate to 10 per cent.

This move was larger than the market had expected, but came after the signing of a key wages deal over the weekend.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jul 5) 3 months US dollars		6 months US Dollars	
bid 3 1/8	offer 3 1/4	bid 3 3/16	offer 3 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm Jul 2

Prime rate	6	One month	3.15	Three year	4.25
Broker loan rate	5	Two month	3.00	Five year	4.98
Fed.funds	3 1/8	Three month	3.01	Seven year	5.38
Fed.funds at intervention	2 15/16	Six month	3.15	10-year	5.75
		One year	3.32	30-year	6.67
		Two year	3.93		

Jul 5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.45-7.55	7.45-7.60	7.35-7.50	7.30-7.45	7.00-7.15	8.25
Paris	[illegible]	7.43-7.55	-	7.00-7.12		6.75
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	7.00-7.12	6.98-7.03	-	6.80-6.88	-	-
Tokyo	[illegible]	-	-	-	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	[illegible]	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	6-6 1/8	-

LONDON MONEY RATES

Jul 6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6	6	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	5 1/2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5 1/2	[illegible]	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	5 1/2	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.03	3.07	3.14	3.32
SDR Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	6 1/2

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; six months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills; Average tender rate of discount 5.1541 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1993. Agreed rates for period July 28, 1993 to Aug. 24, 1993 Schemes II & III: 7.18 p.c. Reference rate for period May 29, 1993 to June 30, 1993, Scheme IV&V: 5.939 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from July 1, 1993. Bank Deposit Rate for sums at 7 days notice [illegible] p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month [illegible] p.c.; one-three months [illegible] p.c.; three-six months 5 p.c.; six-nine months [illegible] p.c.; nine-twelve months [illegible] p.c.; Under £100,000 [illegible] p.c. from Jan.27, 1993. Deposits withdrawn for cash [illegible] p.c.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5115	1.5078	1.5015	1.4938	1.4805

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls August	Calls September	Calls December	Puts August	Puts September	Puts December
118	-	1.41	-	0.14	0.36	0.89
119	0.52	0.80	1.09	0.41	0.70	-
120	0.15	0.39	0.72	-	1.28	-
121	0.04	0.15	0.40	-	-	-
122	-	0.05	0.24	-	-	-
Open int	13,248	134,096	40,107	22,205	179,968	28,990

Estimated volume 25,912 † Total Open Interest 452,223
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

CONTRACTS & TENDERS

Sealed Offer for B-767

Royal Nepal Airlines Corporation hereby invites offers for leasing one Boeing 767 aircraft for operating its flights from 1 October 1993. Interested International Airlines, International Aircraft Leasing Companies and International Finance Companies/Banks are requested to submit their Sealed Offers. Such offers should reach the following address by 30th July 1993. For detailed information, if any required, on the above please write to.

Director, Corporate Department
Royal Nepal Airlines Corporation
PO Box 401
Kantipath, Kathmandu — Fax No. 977-1-225348
Nepal — Sita Telex: KTMADRA

Details required in the offer are as follows:

A. Aircraft: B-767-300ER and alternatively B-767-200ER
B. Schedule (Tentative): 2/7 KTM/DEL/FRA/LGW/FRA/KTM; 1/7 KTM/DEL/FRA/ORY/FRA/KTM; 3/7 KTM/DEL/KTM
C. Detailed Route Performance of the aircraft for the above routes.
D. Aircraft Details: Date of manufacture, Engines fitted, and other details.
E. Utilisation: Shall be about 300 Block Hours per month.
F. Seat Configuration: a) B-767-300ER around 30 J 230 Y; b) B-767-200ER around 20 J 230 Y
G. Lease Period: (Rates for) i) One to Two years; ii) Three to Five years
H. Lease basis: i) ACMI lease for first 2 months (Cockpit crew only); ii) AMI lease for rest of the period
I. Time and cost of crew conversion from B-757 to B-767
J. Maintenance Schedule/Arrangement/Spares positioning.
K. Aircraft should be painted in RA colour.
L. Inflight/Audio Video equipment necessary
M. Fax or telex offers will not be accepted.
N. Please mention the payment conditions.

Sealed offers will be opened at 1700hrs on 30th July 1993 in the above office in the presence of authorised representatives.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA

July 5	Sch	+ or −
Austrian Airlines	1,590	+11
Creditanstalt Pf	574	−13
EA General	3,130	−15
EVN	871	−16
Lenzing	619xd	−4
OeMV	877	−15
Perlmooser Zement	796	−45
Radex Heraklith	397	+1
Reininghaus Brau	1,325	−15
Steyr Daimler	183	−2
Veitscher Magnesit	240	−6
Verbund (Br) A	535	−21
Vienna Int Airport	456	−2
Wienerberger	3,030	−65
Z-Laenderbank	1,040	+5

BELGIUM/LUXEMBOURG

July 5	Frs.	+ or −
AG Group	2,595xd	−20
Acierinvest	3,200	+100
Almanij	7,400	−40
Arbed	3,050	—
BBL	3,750	−10
Bank Intl a Lux	12,175	−175
Banq Gen Lux Pts	17,300	—
Banque Nat Belg	34,700	+200
Bekaert	15,800	−275
CBR Ciment	9,890	−20
CMB	1,920	−15
Cobepa	5,100	—
Cockerill Priv	115	—
Colruyt	6,140	−30
Delhaize Frs Lion	1,266	+2
Electrabel	6,270	+50
Electrabel AFV'1	6,250	—
Electrafina ACT	2,720	+15
GBL	3,665xd	+5
GBL AFV'1	3,490xd	−10
GIB Group	1,300	−6
Generale Banque	8,100	−40
Gevaert	7,230	+10
Glaverbel	3,170	−30
Immobel	2,980	−40

FRANCE

July 5	Frs.	+ or −
AGF	598	−2
Accor	613	−4
Air Liquide	727	−6
Alcatel Alsthom	636xd	−4
Axa	1,334	−2
BIC	1,254	+3
BSN	884	−2
BNP Cert Inv	535	−3
Bancaire Cie	532	+1
Bongrain	2,475	−15
Bouygues	635	−15
CGIP	1,100	−11
Canal+	1,238	−1
Cap Gemini S	167.90	−.80
CarnaudMetalbox	204.80	+2.10
Carrefour	2,890	−30
Casino	140	+.80
Chargeurs	990	+6
Club Mediterranee	345.10	−1.90
Cogifi	396	—
Coparex Int	561	—
C C F	225	−3.50
Cr Fonc France	1,016	+5
Cred Lyon (CI)	675	−6
Credit Local Fr	410.50	−1.50
Credit National	1,270	—
Damart	4,150	+50
Docks de France	507	+[illegible]
Dollfus Mieg Cie	270	+4.50
EBF	627	−7
Eaux Cie Genl	2,102	−33
Ecco	422	−3
Elf Aquitaine	385.50	−3.40
Elf Aquitaine Certs	335	−10
Elf Sanofi	909	−10
Eridania B-Say	760	−7
Eridania B-Say Cl	808	—
Essilor Int	442	−9
Etex	1,900	+40
Eurafrance	1,854	+14
Euro RSCG	537	+11
Euro Disney	67.25	+.20
Fin Poliet	465.50	—
Finextel	128xd	+1.80
Fonc Lyonnaise	613	−45
Fromageries Bel	4,220	—
GTM-Entrepose	406.30	−.70
Gal. Lafayette	1,689xd	+9
Gaumont (Soc N)	496	−2
Geophysique	589	−3

INDICES

NEW YORK

DOW JONES	July 2	July 1	June 30	June 29	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3483.97	3510.54	3516.08	3518.85	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	107.78	107.62	107.61	107.75	107.75 (29/6)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1552.23	1553.91	1548.02	1530.58	1663.08 (16/4)	1453.94 (4/1)	1663.08 (16/4/93)	12.32 (8/7/32)
Utilities	244.13	245.32	244.79	244.66	247.80 (16/4)	217.14 (8/1)	247.80 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3511.65 (3542.10) Low 3468.47 (3487.29) (Theoretical)
Day's High 3510.27 (3523.00) Low 3481.20 (3503.82) (Actual)

STANDARD AND POOR'S

	July 2	July 1	June 30	June 29	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	445.84	448.02	450.53	450.69	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials‡	508.08	511.67	514.26	515.11	524.90 (10/3)	496.45 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	44.79	45.19	45.15	44.88	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	247.12	248.04	249.10	249.05	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	435.27	435.87	434.84	433.52	440.95 (4/5)	395.84 (8/1)	440.95 (4/5/93)	29.31 (9/12/72)
NASDAQ Composite	704.49	703.90	703.95	701.07	708.85	645.87	708.85	54.87

TOKYO - Most Active Stocks

Monday, July 5, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Shionogi	3.1m	1,060	+10	Nippon Steel	1.4m	381	−2
Sumitomo Mtl Min	2.8m	1,020	−40	Sanyo Elec	1.4m	434	−4
Sumitomo Corp	2.4m	805	−5	Tobu Railway	1.3m	818	−12
Sumitomo Chem	1.4m	447	−11	NKK	1.2m	307	+6
Toshiba	1.4m	670	−15	Nippon Kayaku	1.2m	792	+16

FINANCIAL TIMES

Tuesday July 6 1993

EUROPE

Milan sluggish despite labour accord

SUMMER holidays in Europe, and the Independence Day holiday in the US were reflected in low turnover figures from bourses yesterday, *writes Our Markets Staff.*

MILAN surprised many observers by *not performing* as strongly as expected following the weekend agreement on wages. The Comit index closed up 2.77 at 540.83.

The labour accord raises hopes of a cut in interest rates in the near future, probably in the order of 50 basis points, analysts remarked.

However, in spite of this positive news, the overall mood continued to be dampened by Ferruzzi group shares, with Montedison losing another L40 *or 5.5 per cent to L680. The* chairman of the Consob is due to testify today to parliament on the group's situation.

Telecommunications stocks, which have been one of the strongest performing sectors in recent weeks, also eased on worries that privatisation might be delayed: Stet lost L40 to L3,610.

FRANKFURT eased in quiet trading, the DAX index sliding 5.64 to 1,692.17 as turnover fell *from DM6.2bn to DM4.6bn* and Siemens and Volkswagen came under pressure.

Siemens finished DM3.30 *lower at DM612.50 after the* electrical major made downwards revisions to its 1992-93 sales and orders forecasts and said that earnings would be hit by the overall rise of the D-Mark against the dollar.

A large sell order, technical consolidation after recent strong gains and further developments in the inter-company strife over the departure of Mr Ignacio Lopez from GM to Volkswagen left VW DM4.50 *lower at DM355.80.*

Among second liners, Altana fell DM8.70 to DM506.20 as Dresdner launched a DM100m Eurobond issue for the company.

ZURICH consolidated, some investors selling chemicals for banks ahead of the banking sector's half-year results season. Dealers said that the pressure on chemicals was light as Ciba-Geigy bearers fell SFr14 to SFr697 and the SMI index fell 4.8 to 2,364.0.

UBS bearers made the strongest showing in the banking sector, rising SFr18 to SFr1,134. Hoare Govett says in a review of European banks that there is considerable further upside before the banks even get close to the ratings which they enjoyed before they began their long period of underperformance in the mid-1980s.

PARIS drifted lower in an *unenthusiastic session,* the CAC-40 index losing 15.72 to 1,925.44. Turnover was also low at FFr1.8bn.

Rhone-Poulenc, which announced last week *a four*-for-one share split next Monday, and yesterday set a price of FFr563 for the sale of its 35 per cent stake of Rousell Uclaf, lost FFr14 to FFr571.

MADRID's turnover fell from Pta16.5bn to Pta9.3bn as the general index closed 1.97 lower at 257.42, Banesto falling Pta80 to Pta2,155 as James Capel described it as *"at best a hold".*

AMSTERDAM saw a good gain in KLM, up Fl 1.00 to Fl 27.10 but otherwise the market was negative and the CBS Tendency index finished off 0.2 at 112.3.

HELSINKI rose on strength in Nokia, up FM6 at FM191, together with low money market rates. The shares have been helped *higher* by news last week that it was to increase the size of an international share placement. The *Hex index gained 2.62 per cent* to close at 1,204.0.

VIENNA fell by 1.7 per cent but volume was reported low *as the ATX index fell 14.55 to* 825.45.

TEL AVIV, down 1.4 per cent, lost most of Sunday's *gains in a late sell-off as the* Mishtanim blue chip index lost 2.78 to 197.17 in active turnover of Shk226m.

WARSAW shot up again, this time by 8.9 per cent as the WIG passed the 4,000 barrier for the first time to close at *4,005.1. Turnover was high at* 478.1bn zloty ($28m).

ISTANBUL was depressed by weekend violence in central *Anatolia where 36 people were* killed and the composite index lost 97.7 to 11,697.

FT-SE Actuaries Share Indices								
July 5								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1196.82	1196.91	1197.62	1197.87	1197.12	1197.03	1196.89	1197.01
FT-SE Eurotrack 200	1252.22	1252.94	1254.00	1253.25	1252.62	1251.48	1252.81	1253.51

	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28
FT-SE Eurotrack 100	1201.31	1213.21	1208.99	1207.97	1210.15
FT-SE Eurotrack 200	1259.19	1270.98	1266.14	1263.58	1265.02

Base value 1000 (26/10/90) Highday: 100 - 1198.27; 200 - 1254.06 Lowday: 100 - 1196.45 200 - 1251.01

CANADA

TORONTO slipped back by midday on profit-taking in the *oil and gas sector. Brokers* commented that there was concern that Iraq will reach agreement with the UN to *start selling oil on the world* markets again after facing long-term sanctions.

The TSE-300 slipped 6.56 to 3,991.16 in turnover of C$155.2m.

● Wall Street was closed for Independence Day.

ASIA PACIFIC

New Zealand closes at a new three-year high

Tokyo

THE Nikkei average posted a marginal gain on the lowest volume since January 18 as investors remained inactive due to the two-day Bank of Japan branch managers' meeting, which ends today, and the Tokyo G7 summit, *writes Emiko Terazono in Tokyo.*

The 225-issue average appreciated just 1.60 to 19,623.06 after wavering between 19,545.45 and 19,676.07.

Volume fell to 150m shares from 226m. Declines led advances by 576 to 402, with 169 issues unchanged. The Topix index of all first section stocks dipped 12.00 to 1,583.42, *but in London the ISE/Nikkei* 50 index put on 1.21 at 1,200.95.

Many traders expect investors to refrain from building *positions ahead of the general* election on July 18. However, Mr Yasuo Ueki at Nikko Securities said the current lull in the market resembled the situation in January this year, when share prices jumped on active buying after a few *weeks of low trading volume.*

Issues closely linked with East Japan Railway, the state-owned regional railway *company which officially applied* for listing on the Tokyo Stock Exchange yesterday, were mixed. Market participants *hope that the JR East shares* will be a catalyst for the equity market, by attracting the interest of individual investors.

*Nippon Signal, a leading rail*way signal maker, rose Y20 to Y1,590, but Kyosan Electric, another signal manufacturer, receded Y10 to Y1,180.

Nikkatsu, the movie producer which filed for court protection under the bankruptcy law yesterday, ended at an offered price of Y99. The company is scheduled to be delisted on October 2.

Meanwhile, Shionogi, the drug maker which will replace Nikkatsu as a Nikkei 225 component stock, became the day's most active issue, firming Y10 to Y1,060 on continued buying orders.

Janome Sewing Machine dropped Y31 to Y390. Reports that a former executive was seeking Y120bn in damages from Janome's board members for the company's massive *debts prompted selling.*

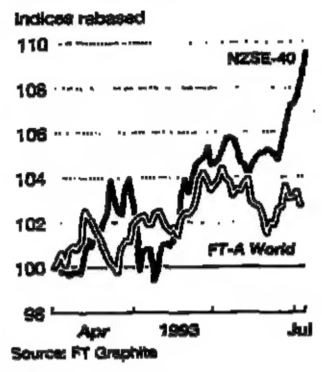
Mitsubishi Motors declined Y6 to Y754 as Chrysler, the US car maker, was poised to release its 3.72 per cent stake in the company. Other car shares were firm on the *weaker yen, with Nissan Motor* up Y11 to Y695.

In Osaka, the OSE average slipped 57.15 to 21,706.08 in volume of 16m shares.

Roundup

PROFIT-TAKING was much in evidence among the Pacific Rim's markets yesterday.

NEW ZEALAND accelerated to a new three-year closing high, assisted by a robust per-



Source: FT Graphite

formance by Telecom, 14 cents *ahead at NZ$3.25,* and a further easing in interest rates. The NZSE-40 index moved forward 16.46 to 1,715.52 in high turn*over of NZ$38.2m.*

However, Fletcher Challenge and Carter Holt Harvey both declined on profit-taking. *Fletcher dipping 3 cents to* NZ$2.89 and CHH easing a cent to NZ$2.96.

HONG KONG fell back at the close as early gains were erased by profit-taking, triggered by news that the first day of the Sino-British talks had ended inconclusively.

The Hang Seng index lost a net 12.52 at 7,205.41, having risen by more than 120 points earlier in the day on news that Mr Douglas Hurd, the UK for*eign secretary, is to visit China* to hold talks on Hong Kong's political reforms.

Turnover stood at HK$4.06bn against HK$5.10bn on Friday.

SINGAPORE rose on selective buying interest in Malay*sian shares traded over the* counter.

The Straits Times Industrial index gained 7.69 at 1,825.92.

Brokers said a report that forecasts of 1993 and 1994 corporate earnings had been revised upwards by analysts also underpinned the market. Volume came to 129.22m shares.

SEOUL saw buying focused on financial shares and large manufacturing companies. The composite index ended 4.48 higher at 752.78 in turnover of Won396.5bn.

News that Dong-Ah Construction would sign joint-venture deals in China worth some $3bn helped to lift construction stocks. Dong-Ah closed the day's limit up, appreciating Won1,000 to Won22,000.

TAIWAN reversed an early 50-point gain, the weighted index finishing 9.91 lower at 3,907.33. Turnover totalled T$11.9bn.

Early rises were triggered by unconfirmed reports that the Formosa Plastics group was about to announce a $7.5bn petrochemicals project. Formosa rose 50 cents to T$41.30.

MANILA slipped back as *investors took profits on* selected blue chips. The composite index dipped 4.46 to 1,579.51 in turnover down to 263.7m pesos.

AUSTRALIA featured gold *stocks in an otherwise subdued* session, the gold shares index strengthening 50.2 to 2,154.2 while the All Ordinaries index *lost 3.0 to 1,765.9. Turnover* amounted to A$311.8m.

SOUTH AFRICA

REVERSING a weak start, shares ended stronger across the board helped by a rise in the bullion price. The golds index added 25 at 2,017. The industrial and overall indices both gained 26 at 4,701 and 4,173 respectively.

Muted response to Buba rate cut

By William Cochrane

Poor economic news from the US, political uncer*tainty in Japan, and a* weak response by senior European bourses to the first Bundesbank key interest rate cuts in more than two months, restricted the FT-Actuaries World Index to a token gain, *of 0.1 per cent in local cur*rency terms, last week.

On Wall Street, the Dow was flat in advance of the week's economic data, beat a minor *tactical retreat* on Thursday's drop in the NAPM index of industrial activity, and tumbled after Friday's rise in the *national unemployment rate.* The losses in equities, however, were restrained by an improvement in the domestic bond market.

Japan's equity market, similarly, started with a recovery as the ruling Liberal Democratic party showed resilience in municipal elections in Tokyo. However, after that it faltered, fluctuated and faltered again on a bribery scandal in the construction industry, and renewed political uncertainty ahead of the Japanese general election in 12 days' time.

The Bundesbank rate cuts were the first since April 22. Bourses had anticipated them, although 50 basis points off the discount rate, against a 25-point cut in the Lombard, was more than most analysts had expected.

Unfortunately, although a number of other European central banks cut their rates too, the depth of the German discount rate cut rebounded against equity markets as economists decided that the Bundesbank was now unlikely to come back with another *rate cut until September.*

The most interesting performances last week were put in by Belgium and the Nordic bloc in Europe, and by the Pacific markets excluding Japan.

After peaking in April, Belgium suffered along with other strong currency markets as the Bundesbank's interest rate policies were hamstrung by the costs of integrating eastern Germany and its wariness of domestic inflation. However, says Ms Rachael Rowe of Kleinwort Benson, Belgium delivered an outstanding performance in June as two domestic interest rate cuts in as many weeks drove the market to an all-time high.

"The next Bundesbank rate reduction is not expected until after the summer recess," says *Ms Rowe, "but the Belgian* desire to reduce rates in concert with the Dutch should drive the market higher".

Finland was the outstanding performer of the week with an 8.6 per cent gain, taking its local currency appreciation to 46.3 per cent this year. Helsinki was the prime mover in a Nordic bloc rise of 2.5 per cent; but Hoare Govett notes that the market was not permanently on the upgrade, falling 8.8 per cent during the month to June 25 and underperforming continental Europe by 6.2 per cent.

Performance around the Pacific Rim has been taken *almost for granted* in the past quarter, as fund managers have tried to escape from the grinding poverty of US equity returns, the slowdown in Japan and the fear that Europe had seen all of its gains in virtually the first three months of 1993.

But Australia, which has been lagging behind, came close to the front of the pack as the gold bullion price put on another spurt and gold shares rose 17.8 per cent.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-1.26	+4.95	-5.82	+9.22	+4.50	+4.05
Belgium	+2.34	+8.98	+12.69	+16.44	+11.57	+11.09
Denmark	+1.78	+7.38	-0.63	+21.49	+17.29	+16.79
Finland	+8.61	+2.97	+64.67	+46.29	+35.41	+34.84
France	-0.36	+4.33	+4.84	+7.13	+3.55	+3.11
Germany	+0.42	+3.19	-4.43	+10.31	+5.80	+5.34
Ireland	+3.57	+4.45	+28.18	+35.26	+20.32	+19.80
Italy	+1.44	+4.44	+35.61	+30.44	+25.16	+24.62
Netherlands	+0.36	+4.98	+13.76	+15.01	+10.34	+9.86
Norway	+2.18	+3.62	+10.23	+16.88	+12.97	+12.48
Spain	-0.04	-0.93	+12.26	+21.33	+7.84	+7.38
Sweden	+1.75	-0.24	+21.56	+11.41	+2.48	+2.04
Switzerland	+0.51	+3.57	+25.16	+15.57	+12.69	+12.20
UK	-0.91	+1.01	+17.23	+2.09	+2.09	+1.65
EUROPE	-0.02	+2.61	+12.87	+8.93	+6.07	+5.61
Australia	+3.57	+1.03	+1.67	+10.65	+8.05	+7.58
Hong Kong	+2.64	+0.40	+13.72	+31.59	+32.09	+31.25
Japan	+0.09	-4.77	+23.94	+19.91	+38.25	+37.66
Malaysia	+3.82	-1.46	+42.08	+25.46	+28.03	+27.48
New Zealand	+2.24	+2.24	+9.46	+12.50	+19.38	+18.86
Singapore	+2.97	-2.46	+13.76	+16.83	+18.60	+18.09
Canada	-0.99	+1.25	+9.08	+12.58	+11.61	+11.14
USA	-0.21	-0.79	+8.80	+2.48	+2.92	+2.48
Mexico	+1.99	+3.53	+4.16	-8.49	-8.25	-8.64
South Africa	+2.98	+5.52	+13.66	+33.03	+40.55	+39.95
WORLD INDEX	+0.08	-1.16	+13.70	+9.78	+13.74	+13.27

† Based on July 2nd 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World indices as at JUNE 30, 1993 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Market capitalisation as at JUNE 30, 1993 (US$m)	% of World Index	Market capitalisation as at MARCH 31, 1993 (US$m)	% of World Index	% change in $ index since DECEMBER 31, 1992
Australia (68)	103395.7	1.25	107176.6	1.37	+5.27
Austria (18)	10354.4	0.12	9861.5	0.13	+4.79
Belgium (42)	54451.8	0.66	56425.1	0.72	+10.13
Canada (108)	141914.2	1.71	136258.3	1.74	+10.55
Denmark (33)	26551.3	0.32	24917.5	0.32	+17.26
Finland (23)	11782.7	0.14	9464.2	0.12	+34.13
France (97)	252093.3	3.04	270100.3	3.45	+4.18
Germany (62)	252256.8	3.04	264841.2	3.38	+4.54
Hong Kong (55)	140999.5	1.70	124357.7	1.59	+29.61
Ireland (15)	10354.1	0.12	10159.8	0.13	+19.38
Italy (72)	95556.4	1.15	77188.3	0.98	+23.22
Japan (470)	2555926.9	30.81	2167381.8	27.65	+39.73
Malaysia (69)	51205.9	0.62	44007.0	0.56	+24.65
Mexico (18)	42058.0	0.51	45162.7	0.58	-6.63
Netherland (24)	123710.0	1.49	124364.7	1.59	+10.10
New Zealand (13)	12141.3	0.15	11454.1	0.15	+16.14
Norway (22)	6736.1	0.08	6853.1	0.09	+11.09
Singapore (38)	28871.6	0.35	25408.8	0.32	+17.05
South Africa (60)	79274.5	0.96	70124.0	0.89	+34.30
Spain (46)	69793.4	0.84	72207.3	0.92	+7.48
Sweden (36)	62477.3	0.75	58120.0	0.74	+1.90
Switzerland (52)	166713.1	2.01	152253.0	1.94	+12.48
United Kingdom (219)	786153.9	9.48	772938.1	9.86	+2.09
USA (519)	3210116.9	38.70	3196720.3	40.79	+3.47
Europe (761)	1928984.5	23.26	1909694.2	24.37	+5.78
Nordic (114)	107547.4	1.30	99354.8	1.27	+8.77
Pacific Basin (713)	2892341.0	34.87	2479786.1	31.64	+36.96
Euro-Pacific (1474)	4821325.5	58.13	4389480.3	56.00	+22.58
North America (627)	3352031.0	40.41	3332978.5	42.52	+3.76
Europe Ex. UK (542)	1142830.6	13.78	1136756.1	14.50	+8.47
Pacific Ex. Japan (243)	336414.1	4.06	312404.3	3.99	+18.86
World Ex. US (1660)	5084572.1	61.30	4641025.3	59.21	+22.05
World Ex. UK (1960)	7508535.1	90.52	7064807.4	90.14	+15.54
World Ex. So. Af. (2119)	8215414.5	99.04	7767621.5	99.11	+13.96
World Ex. Japan (1709)	5738762.1	69.19	5670363.8	72.35	+5.46
The World Index (2179)	8294689.0	100.00	7837745.5	100.00	+14.13

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FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 2 1993								THURSDAY JULY 1 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	134.61	+0.9	132.38	92.53	118.69	133.69	+0.3	3.74	133.44	131.15	90.59	117.67	133.44	144.19	117.39	147.39
Austria (18)	145.83	-1.0	143.42	100.25	128.59	128.21	-1.2	1.52	147.24	144.71	99.96	130.06	129.72	150.96	131.16	172.40
Belgium (42)	148.01	-0.3	145.56	101.74	130.50	127.20	-0.4	4.50	148.46	145.91	100.78	131.13	127.77	156.76	131.19	147.20
Canada (108)	128.52	+1.0	126.39	88.34	113.31	119.86	+1.0	2.81	127.25	125.06	86.38	112.39	118.72	130.38	111.41	126.85
Denmark (33)	217.37	-0.4	213.78	149.43	191.67	192.98	-0.5	1.17	218.14	214.39	148.10	192.69	193.96	225.84	185.11	242.85
Finland (23)	93.86	+1.4	92.31	64.52	82.76	111.78	+1.8	1.09	92.56	90.97	62.84	81.76	109.76	100.92	65.50	78.54
France (96)	151.75	-0.8	149.24	104.31	133.79	136.64	-0.8	3.30	153.02	150.39	103.88	135.15	137.72	167.36	142.72	163.46
Germany (60)	109.60	-0.3	107.79	75.35	96.63	96.63	-0.5	2.20	109.91	108.02	74.63	97.08	97.08	117.10	101.59	128.16
Hong Kong (55)	291.39	+0.3	286.58	200.31	256.95	289.77	+0.1	3.25	290.66	285.67	197.33	256.76	289.49	301.61	218.82	256.36
Ireland (15)	162.67	-0.1	159.98	111.83	143.43	159.45	-0.4	3.38	162.80	160.01	110.53	143.80	160.14	170.40	129.28	157.42
Italy (70)	68.38	+0.8	67.25	47.00	60.29	78.76	+0.7	1.98	67.85	66.69	46.06	59.93	78.24	72.82	53.78	67.80
Japan (470)	144.58	-2.1	142.19	99.39	127.50	99.39	-0.8	0.83	147.61	145.08	100.21	130.40	100.21	155.96	100.75	101.73
Malaysia (69)	333.32	+2.6	327.81	229.12	293.89	330.43	+2.4	2.04	324.82	319.24	220.51	286.91	322.57	349.34	251.66	241.78
Mexico (19)	1505.53	+0.2	1480.66	1034.94	1327.50	5143.98	+0.0	0.96	1502.56	1476.75	1020.08	1327.22	5144.50	1725.81	1410.30	1457.59
Netherland (24)	166.33	-0.5	163.59	114.34	146.67	144.55	-0.6	3.80	167.13	164.26	113.46	147.63	145.43	172.75	150.39	163.82
New Zealand (13)	50.98	+0.8	50.14	35.05	44.95	49.85	+0.6	4.47	50.55	49.69	34.32	44.66	49.56	50.98	40.56	46.79
Norway (22)	154.90	-0.4	152.34	106.48	136.59	151.12	-0.4	1.75	155.47	152.80	105.55	137.33	151.67	166.21	137.71	170.07
Singapore (38)	251.96	+1.0	247.80	173.20	222.16	188.45	+0.9	1.83	249.51	245.23	169.39	220.39	186.85	262.72	207.04	221.04
South Africa (60)	207.26	+3.5	203.83	142.47	182.74	209.06	+1.7	2.42	200.25	196.81	135.94	176.88	205.60	207.26	144.72	217.16
Spain (45)	125.21	-0.2	123.14	86.07	110.40	122.79	-0.3	4.80	125.49	123.34	85.20	110.85	123.21	132.82	115.23	152.92
Sweden (36)	168.93	-0.5	166.14	116.13	148.95	193.12	-0.3	1.75	169.83	166.92	115.30	150.02	193.65	184.06	149.70	195.59
Switzerland (50)	126.80	-0.1	124.70	87.17	111.82	118.66	-0.4	1.83	126.96	124.78	86.20	112.16	119.13	129.36	108.91	113.51
United Kingdom (219)	175.21	-1.1	172.31	120.43	154.47	172.31	-1.0	4.02	177.12	174.08	120.24	156.44	174.08	181.99	162.00	190.77
USA (519)	182.51	-0.6	179.49	125.47	160.93	182.51	-0.6	2.80	183.62	180.47	124.66	162.20	183.62	186.27	175.38	167.75
Europe (753)	143.64	-0.6	141.27	98.75	126.66	136.00	-0.7	3.27	144.55	142.07	98.13	127.69	136.90	149.02	133.92	154.06
Nordic (114)	161.48	-0.3	158.81	111.01	142.39	162.33	-0.1	1.53	161.92	159.13	109.92	143.02	162.51	171.77	142.13	180.44
Pacific Basin (713)	148.60	-1.7	146.14	102.15	131.03	106.12	-0.7	1.11	151.19	148.59	102.64	133.55	106.82	159.07	105.89	108.37
Euro-Pacific (1466)	146.46	-1.3	144.04	100.67	129.13	118.58	-0.7	1.98	148.35	145.80	100.71	131.03	119.36	154.05	117.26	126.85
North America (627)	179.14	-0.5	176.18	123.16	157.98	178.23	-0.5	2.81	180.11	177.02	122.29	159.12	179.20	182.38	171.51	165.18
Europe Ex. UK (534)	124.11	-0.3	122.06	85.33	109.46	115.20	-0.4	2.75	124.50	122.36	84.54	110.00	115.67	128.65	112.51	131.77
Pacific Ex. Japan (243)	188.38	+0.9	185.27	129.52	166.12	175.01	+0.6	3.14	186.73	183.53	126.79	164.96	173.96	194.08	152.70	173.81
World Ex. US (1653)	147.30	-1.1	144.87	101.27	129.89	120.83	-0.6	2.00	148.98	146.42	101.15	131.60	121.52	154.27	118.51	128.67
World Ex. UK (1953)	156.45	-0.9	153.87	107.56	137.97	136.60	-0.5	2.13	157.89	155.18	107.20	139.48	137.34	161.34	134.22	136.16
World Ex. So. Af. (2112)	157.87	-1.0	155.26	108.54	139.22	139.31	-0.6	2.31	159.42	156.68	108.24	140.83	140.16	162.74	137.29	140.40
World Ex. Japan (1702)	167.12	-0.4	164.36	114.90	147.38	162.68	-0.5	2.96	167.83	164.95	113.95	148.27	163.45	170.05	157.47	162.82
The World Index (2172)	158.12	-0.9	155.50	108.70	139.43	139.88	-0.6	2.31	159.59	156.85	108.35	140.96	140.71	162.66	137.32	140.87

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